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MARCH 1977 $1.25

SORTING
OUT SKINNER

"PLANNING" OUR
WAY TO SERFDOM

JUSTIFYING
INJUSTICE

ON TORY BLIND
SPOTS

ENERGY CRISIS: Made in Washington

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1 Will Social Security be there when you need it?
(Or is it, as some critics say, the "greatest chain letter in history"?)

2 Are the educational "elitists" ruining our schools?
(Kids' test scores are hurting along with their manners. And worried parents want to know why.)

3 Has Russia really changed her stripes?
(She's now outpacing us on military spending by 45%!)

4 Are we being too easy on criminals?
(A concerned ex-convict says "Yes" — and that we'll all have to pay for it in a frightening crime rate.)

5 Is it true that TV news is slanted?
(Analysis of verbatim transcripts yields evidence that's hard to argue with.)

6 Are we killing the goose that lays golden eggs with high taxes on the middle class?
(There are now more people at the government "payout window" than there are workers in the private economy!)

7 Is TV violence hurting our children?
(According to one estimate, the average 15-year old has seen 13,000 people killed violently on TV.)

8 Are we going too far in hamstringing the CIA?
(There's another side to the arguments of CIA critics.)

9 Is government strangling private enterprise?
(We spend $4 billion yearly to support federal regulatory agencies. And that's just the tip of the iceberg.)

9 important questions that all Americans should think about

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A forum for analysis and commentary, with an emphasis on individual liberty

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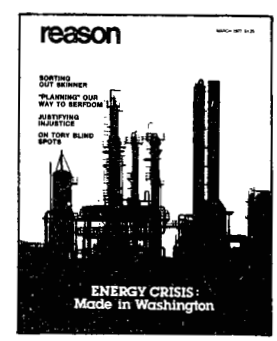

This month's cover story (p. 16) by Alan Reynolds explains why it is a mistake to blame OPEC for our energy problems. Cover by Phil Groves.

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LETTERS

FREE MARKET LIMITS

In his otherwise excellent article, "Myths of Regulation" [December] Henry Manne tries to prove too much when he claims that you can buy an automobile and "be confident . . . that you are not being cheated, simply because the market for information is working." Most people know from experience that you very well may be cheated if you shop carelessly or unwisely. This is especially true on a big-ticket item like a car, where the actual price paid depends on the buyer's bargaining ability. The market rewards effort and initiative in gathering information and penalizes lack of same, just as it does in other areas.

Manne's overexuberance is typical of the need many of us seem to feel to prove that the free market works flawlessly. Since in fact the market falls short of perfection, attempts to prove otherwise must fail, often undercutting the whole libertarian position in the process. The point we should be making is that defects in the market are caused by human frailties and stupidities *which exist in any social system.* What the free market does superbly is to minimize and localize the effects of human errors. Regulation, on the other hand, takes weakness and mediocrity and institutionalizes them.

The only author I have read who makes this point explicitly is David Friedman. I recommend highly his book *The Machinery of Freedom.*

Steve Klein
Redondo Beach, CA

LIBERTARIAN CHURCHES

I was very much impressed by the article "Why Not a Libertarian Church" by Richard Wood [December]. For some years now I have been thinking along similar lines. More recently I have made the decision to form such a church.

The only part of this strategy that sits uneasily in my mind is the necessity of calling this libertarian institution a church. The very word church is irretrievably bound to its history and this history is replete with the most horrible examples of coercions, tortures, murders, genocides, and even deliberate destructions of entire civilizations to be found in the history of our species.

However, since religions are deemed to be great only if they have at their core a set of ethical principles obtained from "Divine Law" and since libertarianism is similarly founded on ethical principles derived from "natural law," it is not at all far-fetched that libertarians organize themselves as a church primarily and as a political party secondarily.

Laurens N. Garlington
San Francisco, CA

. . . AND THE IRS

December, 1975. My phone rang. I was in a hurry, leaving town, and didn't want to involve myself in some pointless conversation. It was Ray Walker. He introduced himself as a libertarian from Nashville visiting Little Rock, and we began to talk. Thirty minutes later, spellbound, I hung up the phone.

That wasn't the last I heard from Ray Walker. Over the months our correspondence accumulated, developing an intimate friendship quickened by my desire to learn from this cultivated man. I wasn't surprised, then, when I received another call from him in July. But this time, the news is not good.

Ray Walker is under the gun—the IRS gun.

Well over a year ago, Ray Walker founded a church in Nashville. His purpose was to examine and discover if he could the moral and philosophical nature of man, as well as to challenge state subsidies to organized religion in the form of tax exemptions.

The IRS says his purpose was to evade taxes. Criminally. And now Ray Walker is faced with the loss of his home and possessions earned over a lifetime . . . and the loss of his profession, since criminal conviction would deprive him of his notary's seal, indispensible in his profession as a free lance court reporter.

All this, for a principle.

Think about what it's like, when the IRS has you in "for a conference." You're alone. There's no help. No heroics. In our age, they don't allow that. They've learned not to make martyrs. First they try to break you by intimidation and isolation. Alone,

(continued on page 7)

How YOU Can Profit From the Coming

PRICE CONTROLS

That President Carter Says He Won't Impose (Maybe)

RICHARD NIXON'S GHOST

President Carter announced on Dec. 3, 1976, that he does not intend to ask Congress to grant him standby authority to impose price and wage controls. Richard Nixon said the same thing in 1970. (Congress granted him this power anyway on August 15, 1970, and Nixon said he didn't want it. On August 15, 1971, Nixon unilaterally declared full-scale price and wage controls.)

President Carter says he will rely on "voluntary" wage and price guidelines instead of direct controls. That's what Lyndon Johnson said, and prices skyrocketed. That's what Richard Nixon said, and prices skyrocketed. (Then comes "jawboning" — arguing for price rollbacks. Johnson "jawboned." Nixon "jawboned." Prices skyrocketed.)

Actually, what President Carter really said was that he will not impose controls **unilaterally.** He would not impose them "Unless I had substantial support in the business and labor community for the goals that we set for ourselves..." **We?** Big business, big labor, and big government will be able to impose controls on **us,** the consumers. President Carter calls this "a partnership."

Controls are coming. Count on it.

SHORTAGES ARE COMING

Price and wage controls produce shortages. Always. In peacetime and in war, controls produce shortages. The same types of shortage-induced hardships on consumers have appeared **every time** controls have been imposed by governments during the last 4500 years.

Any every time it happens, a select few prosper. **Insiders.** They know the **special techniques** necessary to beat the controls.

Important and little-understood signs now indicate that the government will reimpose controls, despite President Carter's assurances to the contrary. In fact, **his assurances are one of the key signs** (just as Nixon's assurances were in early 1971). This is why insiders are taking steps at this very moment to make **huge profits** during the next wave of controls. They know that controls are politically expedient. They know how intense the public pressures will be for the President to do something, **anything,** to reduce prices. And most important, they know that the vast majority of American citizens will not take the steps necessary to survive and even prosper under controls, simply because **most people wait until it is too late.** By then the insiders will have made their killing, and the public will have been wiped out. It happens every time.

THE INSIDERS' STRATEGY

There are tricks to the insiders' trade. I have learned many of them. But the most important single advantage they have over the rest of the public is **a unique way of interpreting the economic trends.** It lets them act in advance to **beat the markets.** They have developed a "weird" slant on economic life — weird only in a world without controls — that becomes the **absolutely indispensable requirement** for personal prosperity under price controls.

SIX DEADLY ASSUMPTIONS THAT COULD WIPE YOU OUT

Have you made one or more of these **six common assumptions,** each of which is questionable and **potentially disastrous?**

"My pension can actually be paid off"

"The Social Security System is solvent"

"The Federal Government guarantees the present value of my bank account"

"A depression is impossible today"

"My guaranteed annuity is safe"

"The government will control inflation"

YOU CAN MASTER THIS "WEIRD" SYSTEM OF MAKING MONEY

Some people know it instinctively. For them it's easy. Most of us don't have it automatically. I had to learn it through many years of study — in college, in graduate school, and in government research. I earned a doctorate, having specialized in economic history, yet I can honestly say that in school my professors never mentioned this system of forecasting. Neither did the hundreds of books they assigned. If I hadn't done extensive research on my own, I would never have discovered the basic techniques that serve as **economic escape hatches.** Once controls are imposed, the government will begin to close off these escape hatches. You had better know them **in advance.**

The longer the controls stay on, the less you can do, legally, to insure your family's survival. Yet there are steps you can take today — legal for the moment — that may enable you to be **calling the shots** within a year after controls are imposed.

I'll show you where to begin. The details are in my book. ***How You Can Profit from the Coming Price Controls.***

The big boys have already begun. They're betting that the rest of us won't act in time. Frankly, they're probably correct. **Most people won't act in time.** They never do. But **you** can. (I'm not saying you will. I'm saying you **can.** For the moment.)

YOU CAN BEAT THE CONTROLS

How You Can Profit from the Coming Price Controls tells you **why** controls are coming, what **signs** are used by insiders to serve as "early warning indicators," **what to do** when these signs appear (and some of them are already here), and what to do immediately **after** controls are imposed.

If you **master these techniques,** and if you have the dedication to apply them, you can join the ranks of the insiders. Some of you will learn them far better than I have. That's the goal of every serious teacher: to make his students smarter than he is. Or in this case, **richer.**

THE GOVERNMENT MAY PROHIBIT THIS ADVERTISEMENT

Time is running out. This is not simply an advertising pitch. The day after controls are imposed, magazines and newspapers may refuse to run ads for information showing people how to beat the controls. A year later, it could easily be **illegal** to run such ads. After all, what good are the controls, from the bureaucrats' point of view, if the public knows how to beat them? And that's precisely what you learn in ***How You Can Profit from the Coming Price Controls.***

Look, I'm no hero. I'm not going to take unnecessary risks. Why call attention to myself? When controls go on, I can quietly disappear from the scene. **Invisibility** is one of the techniques I teach. Advertising makes a man altogether too visible. **You may never see this advertisement again.** It depends on the government. And my number-one rule is this: don't depend on the government.

You may think you don't need my book right now. **But when you decide that you really need my book, will you be able to locate a copy?**

This book costs $10. Two years after controls go on, the **lack** of the information I'm offering could cost you ten times that much. It could cost you everything.

He who hesitates, the proverb says, is lost. A word to the wise is sufficient.

Gary North, Ph.D.

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EDITORIAL

THE PROBLEM OF OIL SPILLS

The worst oil spill in U.S. history occurred in December after the Liberian tanker Argo Merchant ran aground and broke up off Nantucket, spewing forth 7.6 million gallons of oil into the Atlantic Ocean. Since then, there have been another ten widely-publicized tanker accidents in or near U.S. waters, with five resulting in major oil spills. Oil tankers had already had a record-breaking number of mishaps and oil spills in the first nine months of 1976, with a total loss of 200,000 tons of oil—much of which occurred in U.S. waters. The rash of tanker disasters has led to a clamor for action to protect against further spills, and has opened the door to renewed support from American maritime unions for cargo preference legislation to protect the U.S. maritime industry against competition from ships of foreign registry.

The problem of marine pollution due to oil spills is complex, and there is no simple or immediate solution. Although the short-term effects of oil spills may be minimized by special efforts to remove the oil, the long-term effects are still unknown. The gravest risk is the potential that an oil spill may upset the ecological balance of the oceans. Fish and bird populations could be affected for generations by a major mishap.

Of the estimated 17 million barrels of oil spilled annually by tankers, authorities estimate that ninety percent is dumped deliberately, in the process of cleaning oil residues from empty cargo tanks or pumping out seawater used for ballast in empty tanks. When accidents occur, 80 percent take place in coastal or harbor regions, and experts mainly place the blame on incompetent operating crews, claiming that 85 percent of accidents are caused by human error.

The risk of accidental tanker spills is significant and the threat is rising due to increased U.S. oil imports and the use of larger tankers. Oil tankers now constitute over half of the tonnage of the world merchant fleet. Most imported oil is brought into the United States by tankers registered under foreign flags, such as Liberia. It is much cheaper to use foreign flag tankers than American flagships, which must use American crews. U.S. maritime unions have driven the cost of American crews to three times the cost of foreign crews, which can add as much as $1 million to a tanker's annual cost. Also, there may be significant tax savings and other benefits for owners of foreign flag vessels.

Although some Liberian-flag ships are old and have abysmal accident records (the Argo Merchant had a record of 19 serious incidents before the Nantucket grounding), it is not clear that the Liberian fleet has a worse safety record than U.S. tankers. Liberian vessels are generally younger and more efficient than the U.S. tanker fleet, and U.S. Coast Guard officers acknowledge that some of the world's best operated ships fly the Liberian flag.

Obviously the answer to oil spills is not found in the current attempt by U.S. maritime unions and other special interests to revive the 1974 cargo preference act. The legislation—vetoed by President Ford—would require 30 percent of oil imports to be carried by U.S. flag tankers, at a vast increase in cost to the consumer.

Nor is the oil spill problem eliminated by the new generation of supertankers, with capacities over 200,000 tons. The newer, larger ships have modern design features and equipment, and are run primarily by large operators who use top-quality officers and crew. But while they can reduce the problem of congestion from increased tanker traffic, supertankers are difficult to maneuver—requiring more than two miles to stop from cruising speed—and are so fragile they have been labeled "floating balloons."

The most effective means of dealing with the complex problem of oil spills is to impose liability on those who pollute. Requiring wrongdoers to clean up oil spills and pay compensation for damage they cause is an essential aspect of any solution. It is not a complete solution, partly because private property rights are not recognized in the oceans and navigable rivers. But as a means of internalizing costs of business activities, a rule of liability allows market forces to respond to the risk in an appropriate way. In other words, if a private firm operated a port, its own economic interests would lead it to take adequate measures to protect itself from oil spills.

We propose that unlimited liability be imposed on anyone who deliberately or negligently causes damage from oil spills. Liability should be placed on the owners and operators of inadequately-designed and equipped tankers, and tankers operating without qualified officers and crew. Liability should extend also to firms which hire unsafe ships to transport oil and to ports which willingly allow them entry. In short, those who deal with risky cargoes in a risky manner should be required to pay when a mishap occurs.

Imposing unlimited liability on owners of unsafe ships and companies that charter them would greatly reduce the use of ships with inadequate equipment and inferior crew-training standards. Under present law, unsafe ships can be operated without undue risk to their owners. Many old vessels—such as the 23-year old Argo Merchant—are owned by one-ship holding companies, and liability of a ship's owner for damages from a spill may be limited to the value of the vessel and its freight after an accident—which may be worthless.

Eliminating limits on liability might also lead to more stringent practices by marine insurers, which could result in improvements in tanker design and equipment and crew-training standards to avoid the cost of higher premiums charged for riskier vessels with faulty equipment and crews with poor safety records. Moreover, the high cost of insuring the enormous risk posed by supertankers could be avoided by using tankers of medium capacity, with protective spaces in hulls in case of a collision or grounding, and designed to be more maneuverable.

Imposing full liability would also provide cost incentives for the development of new procedures and equipment to contain and clean up oil spills.

In combating oil spills, it would also be helpful to remove the present threat of antitrust prosecution for publishing a list of unsafe ships and their owners.

Another effective way to reduce the number of spills would be to reduce American reliance on oil imports. This could be achieved by allowing offshore drilling on the East Coast, which has uniquely safe geological characteristics for oil production and is much less risky than importing oil in tankers—and much safer than drilling on the Gulf and West Coasts. The same result could be achieved by decontrolling oil and natural gas prices, to allow market incentives to increase domestic production from its artificially-constrained level.

It would be a mistake to adopt cargo preference legislation or to await the implementation of international agreements between governments concerning vessel equipment and safety. The adoption of rational economic policies is the way to combat the problem of oil spills.—**MANUEL S. KLAUSNER**

LETTERS

(continued from page 4)

afraid, they face you with the ruin of your life. Then they quietly put you on the shelf.

Ray has a good attorney, but good attorneys cost. Lots. By now, without ever having seen the inside of a courtroom, his legal bill is over $2,000. We're not going to make any plaintive appeals for money. No slogans. No merchandising. No packaging. Because, if you help us defend Ray Walker, you're not giving to help him: you're giving to help you . . . to fight *your* battle.

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In the unlikely event that the IRS drops its apparent intention to proceed criminally, all money received will go toward the cost of civilly litigating Mr. Walker's case.

Franklin Sanders
Little Rock, AR

LIBERTY AND LICENSE REVISITED

The article entitled "On Liberty—and License" by H. Joachim Maitre [December] completely misses the boat. Maitre's attacks on libertarianism are filled with an unbelievable neglect of any knowledge and/or understanding of Ayn Rand's philosophy of Objectivism and its relationship to libertarianism.

To begin with, Maitre says, "Individual liberty is no end, no virtue, in itself. It is the supreme political principle, but requires demonstration. There can be no doubt today that 'individual liberty!' as the radical libertarians' sole intellectual or philosophical battlecry . . . will not suffice." This statement shows a complete ignorance of one of the major concepts of Rand's Objectivist philosophy as applied to libertarianism. Liberty is not the cause but the effect. To paraphrase Rand: virtue is the act by which one gains or keeps values. The individuals in a society must possess the virtues of rationality, productiveness, and pride before they can obtain and keep liberty-freedom: exemption from extraneous control.

Maitre also says when referring to the Hare Krishna sect that; " 'Schools' run by the Hare Krishna sect are rough and tailored to meet *objectively irrational whims"* (emphasis mine). How ludicrous, how absurd. There can be no *objectively irrational whims.* It's a logical contradiction.

In addition, when Maitre is referring to Robert Nozick's "rejection of moral considerations" in his book, *Anarchy, State, and Utopia* Maitre says, "he certainly seems to embrace some of the amoralism of some of the libertarian movement." While there in fact may be individuals running around referring to themselves as libertarians and having the attributes that Maitre suggests, they are by definition non-libertarians.

Next, Maitre's quotation of Ernst van den Haag's question, "Suppose parents bring children into the world, but cannot be brought to support them?" Maitre sees this as an irreconcilable problem for the "minimal state" society. However, he neglects to answer, much less ask, the following pertinent questions. What constitutes support? What rights do children have? What rights do parents have regarding their children? How are conflicts of these rights, if any do exist, to be eradicated?

The problem with Maitre's analysis of the parent/child problem that he presents is that not only doesn't he attempt to answer the above questions, thereby defining an objective moral relationship between parents and children; he in fact attempts to attack Nozick's "minimal state" and its relationship to family unit activities based upon a subjective neo-mystical criteria for parent/child relationships.

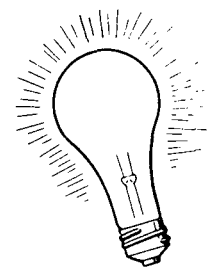
Lastly and most unbelievably Maitre writes, "The omission (referring to a civil society) might well be the most serious flaw in the thinking of many a libertarian who does not integrate into his system of liberty considerations of virtue and civility." My comment here is that I suggest he read Rand.

In conclusion, I must say that "On Liberty—and License" is something I would have expected to read in some mystic or neo-mystic publication not in REASON.

Michael H. Zeldis
Canoga Park, CA

TAX-FIGHTING IDEAS

Having just gone through a battle against a new tax here in New Jersey (we lost, temporarily) I appreciated D. T. Armentano's article against new taxes [December]. May I add a few notes, out of our N.J. experience, to aid both Dr. Armentano in his Connecticut fight, and any others.



AN IDEA BELONGS TO ANYONE WHO UNDERSTANDS IT.

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If you are reading this magazine, you know all about the theory of freedom.

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The pro-taxers always rely heavily on cheap meaningless slogans, to sell their program, and, unfortunately, much of the battle involves just that—sloganeering. It seems to be all that many can understand. One of the oldest, as Armentano points out right at the beginning of his article, is that an income tax is fair since it's based on "ability to pay." That always sounds good to a lower and mid-middle class audience, and too many anti-taxers answer it with long scholarly economic arguments, which, while correct, usually can't be followed by enough of those people who should be pressuring legislators to vote no. Well, there are a few counter-slogans I've found are helpful. Next time some automaton mouths "ability to pay," say, "But what about *ability to work?*" "Doesn't taxing by 'ability to pay' cheat those with ability to work?" You can develop it from there. Or, answer, "But what about *capacity to consume?*" "Why shouldn't someone with six kids pay six times the school bill of somebody with one child; they're consuming six times as much?"

With regard to graduated income taxes, the slogan *"The more you work, the more you work for nothing"* is most effective. If fully developed in debate, you can show that by graduating taxes, the more a blue-collar worker works, the lower his *hourly rate* gets.

Finally, let me suggest a general anti-tax slogan *"We need tax relief, not tax reform!"* It not only tells exactly what's needed, but takes away from pro-taxers that terrible misleading word "reform."

E. O. Matzal, M.D.
Blairstown, NJ

ANTI-TAX RALLY

We have been very pleased to see the fine publicity resulting from New Jersey's September 1976, anti-tax rally. This gathering of from 15 to 20 thousand people was, as I told the crowd, the largest and angriest taxpayers group to come to Trenton since the Continentals drove the British out!

However, to set the record straight, neither I nor the National Taxpayers Union, New Jersey Chapter, organized the Rally. That was the result of a broad coalition, United Taxpayers of New Jersey, and a handful of dedicated individuals, including especially, my wife, Kathy Greene.

The Rally was followed by another great success: in the most machine-controlled area of the State, Hudson County (where a registered Democrat is "immortal" and "voters" are registered at burnt-out buildings and empty lots!), we were able to reduce the victory margin of our pro-tax Assembly Speaker (whose reward was to run for Congress in a guaranteed district) from that district's usual 50 to 75 thousand votes down to a mere 5,000. All of the pundits consider this a warning of future successes: they are right, we are organizing all over the state, and we expect major political changes here in the next several years. Our next and larger Rally is set for April 16th.

Ralph Fucetola, III
North Arlington, NJ

PRO-FEMINISM

Many reasonable and substantive libertarian arguments can be made on both sides of the ERA controversy. Too bad David Brudnoy in his anti-ERA column [December] didn't make any for his side. I would like to see both sides intelligently discussed but not in the pompous, pseudo-*National Review* rhetorical style that Brudnoy affects.

Instead of reasoned argument citing specifics, Brudnoy offers one vague assertion embellished with: 1) Gratuitous name-calling directed toward certain feminist leaders (Whatever one's opinion of them may be, it is irrelevant to the merits of the ERA. Name-calling is simply guilt by association.)

2) Fatuous comments about how he can't bring himself to call a woman speaker "spokeswoman" (I am constantly bewildered at the petulant hostility toward using common-sense, *logically precise* terms in place of allegedly generic but actually imprecise terms.)

3) Archly patronizing terms like "dear ladies" (oh, pshaw, Mr. Brudnoy, you'd better stop or I'll crash my tea cup over your knee.)

There are men who are sensitive and understanding about feminist issues but Brudnoy is not one of them. REASON would do far better to have *women* commenting on feminist issues. How about a feminist column occasionally? There are plenty of articulate libertarian-feminist women who'd be glad to contribute.

In the meantime, for those interested in a serious libertarian perspective on feminist issues, the Association of Libertarian Feminists (ALF) has several discussion papers available, including one on the ERA. (Though ALF takes no official stand on the ERA since the membership is divided, the first paper available happens to be pro-ERA. And Joan Kennedy Taylor, the

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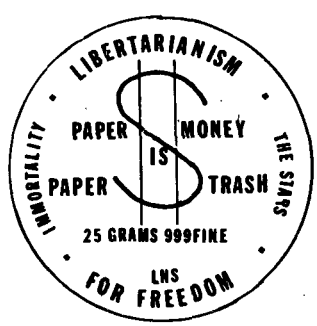

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author, does make substantive arguments for *her* position.)

Sharon Presley
National Coordinator, ALF
New York, NY

ANTI-BRUDNOY

Few things infuriate me more than buying a product with a false label. I feel cheated. Therefore, it is with a certain amount of fury that I am writing this letter. In a libertarian magazine, a contributing editor should be relied upon to reflect a stand in favor of personal liberty. That certainly was my expectation when I subscribed to REASON. In such a light I consider David Brudnoy's December "Viewpoint" to be a breach of warranty.

Let me explain. His column is entitled "Pro Women's Rights: Anti-ERA." Then his first paragraph tells of his "conversion" from being a "champion" of a woman's right to control her own reproduction to the point where he now actively espouses taking that right away from her. The second paragraph begins his diatribe against the Equal Rights Amendment.

Liberty, one might expect, as related to "libertarian" means the legal right to freedom. It is a recognition of certain *powers* which we may exercise without sanction. The granting of liberty does not grant the power to exercise. It merely recognizes the freedom to do so.

The same principle holds true with a woman's control of her body. Women have always had the *power* to terminate unwanted pregnancies and millions have done so, many at the cost of their own lives. Only in the last few years, however, have women had the legal right to safe abortions.

I question that anyone who cannot empathically stand in the shoes of a woman pregnant with a possible lifetime responsibility which she did not seek and sought to prevent, anyone who cannot feel with this woman, cannot comprehend the relief and appreciation she feels when she knows she can safely abort this tragedy. Her power over her body has become her right to a life which she, not "mankind" and "governmental laws and regulations," can control in the most important facet of her existence.

If libertarians indeed do believe in freedom from governmental laws and regulations, if libertarians believe in liberty, then surely they must accede that liberty to women afflicted with unbearable pregnancies.

In one of the most important areas of life, Mr. Brudnoy is no libertarian.

The Equal Rights Amendment is another matter. Actually, sexual discrimination both for and against both men and women under the law is in a state of flux. Some is permitted, some not. And cases flood the courts and administrative agencies.

Men actually need the ERA as much as do women, if not more, for they have no more constitutional right not to be discriminated against than do women. Politics are changing, and women are beginning to realize that in many matters they have gotten shortchanged by the law. They are also realizing that they constitute 51.3% of the electorate. It seems to me that thinking men favor the ERA to put to rest the issue of sex discrimination by law and to insure that neither the male minority nor the famale majority uses the power of the state to oppress the other.

Libertarians, presumably, believe in liberty. I do, and for that reason I enjoy reading REASON. But if libertarians believe in liberty only for themselves and not for everyone, including women, they should not be surprised that their arguments, as do Mr. Brudnoy's, sound fraudulent.

Salatha Bagley Moore
Nashville, TN

ABORTION QUESTION

Some months ago the following letter of mine appeared in the *Poughkeepsie Journal.* David Brudnoy's December Viewpoint concerning his relationship to the right-to-lifers brought it to mind and, since neither Mr. Mazzello nor any other right-to-lifer saw fit to answer my question, I'd be most grateful if David could take a shot at it.

"Mr. Mazzello has answered yes to my earlier question: If he, a pregnant woman and her doctor were cast adrift on a desert island and he had the only gun, would he really stand guard to prevent an abortion? He also made it clear he would assure the right to life to all members of the island community.

"Now, my next question to Mr. Mazzello: If the mother absolutely insisted upon an abortion and her doctor unconditionally agreed to perform it, just how could you prevent this abortion and still assure the right to life to all members of the community? Put more bluntly, just how could you absolutely prevent this abortion without using your gun to threaten and ultimately shoot either the mother or her doctor?

"And please don't deride these

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REASON'S COMMENT OF THE MONTH

The letter below, by subscriber William R. Havender, appeared in the December 24, 1976 issue of the *Wall Street Journal*:

FRIEDMAN, CHILE AND CHINA

I much appreciated the Journal's "Setting the Record Straight" (Dec. 10) concerning Milton Friedman's visit to Chile, in response to the charges so thoughtlessly aired in the New York Times by Messrs. Wald, Pauling, Baltimore and Luria. As a further comment tary upon the eccentricity of these writers' perception of this matter, it is worth looking synecdochically, at the remarks made by one of them, George Wald, a few years ago upon his return from his trip to China.

Speaking at Berkeley before an audience of scientists, he had, as I recall, nothing but tolerant understanding, and praise, for the social "experiment" going on there. Specifically, when queried by a skeptic about the state of human liberty in that country, in particular, the liberty of intellectuals to speak, write and read freely, Prof. Wald cutely dismissed the objection, observing that the existence of "reeducation" camps and the like for intellectuals and other dissidents was in truth inconsequential, since his guide had been successfully "reeducated" with no ill effects! That the government of China was, and remains, manifestly "antidemocratic," that it incarcerates its political opponents (now including, it seems, even the good widow Mao), "suppresses political parties," "destroys labor unions," "maintains terror," and in other ways practices "blatant violations of human rights" are facts that Prof. Wald then seemed able to view with perfect equanimity, even though he now (N.Y. Times, Oct. 24) excoriates the Chilean government for these selfsame crimes.

Such a curiously erratic moral indignation scarcely impresses us with its fairness, accuracy and sincerity.

William R. Havender
Berkeley, CA

REASON subscribers are encouraged to write letters to the editor of their favorite newspaper, magazine, or journal, and to submit replies to TV and radio editorials, presenting libertarian views on topics of current interest. Each month the editors of REASON select the most notable published letter or broadcasted reply for republication in this space, and honor the writer by a six-month extension of his or her REASON subscription. Send copies of your published letters or broadcasted replies to Reason Comment of the Month, Box 40105, Santa Barbara, CA 93103.

questions by saying they are facetious. I'm simply trying to examine the moral dilemma caused by your conviction that society has the right to force a woman to become a mother against her will."

Guy W. Riggs
Poughkeepsie, NY

LIBERTARIAN ARMY

The review of John Shy's *A People Numerous and Armed* in the November Book Issue calls for another letter. Reviewer Marina points out a key point in any discussion of armed forces, by saying, "Washington wanted a standing, regular army . . ." (p. 39) I add, "Instead of a free country club for the 'better classes.' " (This follows from his discussion of the social composition of the militia, *loc. cit.)*

The basic flaw in the reasoning of libertarians who hold to the guerrilla-war-militia belief is that guerrillas have never defeated an organized army by themselves; they simply lack the logistics, the equipment, the training, and the organization. (In Cuba, the Batistaite forces had been weakened by corruption.) In my support, I must refer to Robert A. Heinlein ("Free Men," in *The Worlds of Robert A. Heinlein*).

Yet, a regular army of sufficient strength would be practically an invitation to interventionism, not to mention taxation, militarism, and other less pleasant things. In looking for a *real world* answer I need not look far. There is one country whose foreign policy Roger MacBride commended as an example for a MacBride administration to follow. Its army is organized on the "nation in arms" principle; every adult male is a soldier. If you haven't guessed, this bastion of militarism is Switzerland.

However, the Swiss model does not as a whole recommend itself, because it is based on conscription. (If you believe in conscription, perhaps you shouldn't be reading this magazine.) Applying libertarian principles and military knowledge to the problem of the defense of the U.S., I have come up with this proposed army structure:

Regular Army: a "core" force of 2-300,000, maintained on a year-round basis, by the Federal government;

National Guard: a force of half a million or so (I can't be more specific, for lack of information and purpose) maintained on the Israeli basis (one weekend a month, one month a year), by the states; and

Organized Militia: maintained by county/city governments on the "weekend a month" basis.

To Keep and Bear Arms, by Bill Davidson, points out the advantages to local governments of such a force as the last in peacetime.

Some will ask, "Couldn't this army be used for aggression and interventionism?" Any serious army could be so used; and as long as socialism and aggression exist, to not be armed is to be dead.

Joseph T. Major
Hopkinsville, KY

ANTI-ISRAEL?

Anti-Israeli slurs have become so commonplace in American media that the item in "Quickies" [December] hardly stands out—except that REASON is, or is supposed to be, a libertarian magazine, while Israel has one of the few societies on earth, and the only one in its part of the world, committed to freedom and individual rights. The Israeli government, like all governments, does its share of the world's nasty business, and it ought to be criticized, like other governments, when it does. Still, the Israeli record of respect for human freedom and dignity may be envied when its enemies, unable to find actual violations of

(continued on page 45)

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QUICKIES

If Lying to the Media Works I Say Tell A Lie Dept: "Legislation to promote the continued development of nuclear power plants in Sweden was announced today by the coalition government of Prime Minsiter Thorbjorn Palldin, who had vowed before the election of September 19 to kill the nuclear program." (The *New York Times,* December 4, 1976)

* * *

The Population Bomb may turn out to be a dud, according to a new study from the Worldwatch Institute. The world's population was growing by 1.9 percent per year in 1970, but the rate fell to 1.64 percent in 1975, and will probably fall below one percent by 1985. That celebrated prediction of 12 billion people by 2050 will evidently not come to pass—and some sources believe that the world population will never even reach 8 billion. But food production is still increasing at 2.5 percent or better, and the world's reserve stockpiles of grain may top 150 million tons this year, according to the Agriculture Department. Rumor has it that the Club of Rome has adjusted its exponential curves to predict disaster by 2050—when humanity will surely perish under mountains of uneaten foodstuffs.

* * *

Krugerrandroids, relax. An advertisement for *The Dines Letter* assures us that "Despite vicious anti-gold propaganda by the Washington Economic Establishment, the price of gold has had a completely normal Major Correction after the huge advance from $35 up to $197." Major Correction, indeed! Do you suppose it was Mr. Dines who coined the term "rolling readjustment" for a depression?

* * *

In this secular age, it is heartening to see the true piety of Israel's United Torah Front. This group forced a vote of no confidence in the Israeli parliament when Prime Minister Rabin "desecrated" the Sabbath by taking delivery of three American-supplied F-15 jets in a ceremony that continued past sunset on a Friday. Apparently Jewish law forbids accepting government handouts on the Sabbath—a 14 percent libertarian position, if true. Rabin's coalition won the vote (even though it broke under the strain) but the problem remains. Israel is looking for $1.5 billion in military aid from the United States this year, and if successful, we could expect that (on a pro rata basis) some $214 million would arrive on the Lord's Day. Clearly, all God-fearing Congressmen have no choice but to protect the Sabbath by barring the Jewish state from the public trough, at least for 14 percent of the requested aid.

* * *

Apropos of Senator Humphrey's call for a Marshall Plan for the cities, *Fortune* points out that we already have one. The first Marshall Plan provided Western Europe with $12 billion over four years, or the equivalent of $7 billion a year today. But the Feds already grant about $20 billion a year to local governments, or three times as much as the Hump presumably wants. And says *Fortune,* "there's another difference between the original Marshall Plan and the present heavy spending on the cities. The original Marshall Plan worked."

* * *

Some "Austrian" economists claim that the libertarianism of the "Chicago" school is "impure," and that the Chicago economists' talk of "free riders" and "public goods" reveals their essential statism. Or does it? For here is the notorious Chicagoite Dr. Alan Reynolds, writing in the *National Review* on "Competition in Welfare" (December 10). Reynolds does argue that a free market in poor relief might allow "free riders" to enjoy benefits (e.g.: freedom from the unpleasant sight of starving children) without paying for them—but he denies that this is a sufficient excuse for socialized welfare. "Voting to send someone else's money to a worthy cause," says Reynolds, "is surely as much a free ride as could possibly exist in purely private welfare." He proposes a tax credit (better than a tax deduction) for money contributed to welfare organizations—public or private—as a replacement for tax-supported welfare. Competition would then provide more efficient welfare services, and the system would allow an easy transition to completely private welfare; just phase out the tax credit (and taxation). Here, too, is the Dark Lord of the Chicagoites himself, the "statist" Milton Friedman, telling the readers of *Newsweek* (December 27) "How to Denationalize." Selling government-owned enterprises might be politically unpalatable, he says, and besides "the proceeds would simply provide government with still more funds to pour down the drain" (a strange breed of "statism," no?). So—give them away; turn Amtrak, TVA, the Post Office (the Pentagon?!) etc., into private corporations, and distribute the stock to the people. More subtly, several enterprises could be combined into conglomerates, or mutual funds, to make the distribution easier. Once this is achieved, and the subsidies withdrawn, lo! we arrive at the libertarian utopia—or at least within a few miles of it. So it would seem that Chicagoites can be as "pure" in their libertarianism as anybody, and perhaps more effective in turning their theory into workable proposals. Take it from there, Dr. Rothbard.

* * *

How much "fat" can be cut from the military budget? Well, out of the current 100 gigabuck budget, $20 billion goes to defend Asia (and the impoverished Japanese), $40 billion—and nine of the U.S. Army's 16 divisions—is earmarked for Europe, $18 billion is for strategic nuclear forces, and about $12 billion is left for the rest of the world—including the Panama Canal and these Benighted States themselves. As Gene McCarthy said "It's not the fat that worries me. It's the lean that's causing all the trouble."

* * *

"Deregulation," Carter Style; Rep. Brock Adams (D., Wash.), Carter's choice for Secretary of Transportation, "supported legislation that would give airlines freedom to raise and lower fares while basically insuring that their route systems remained protected," (AP, December 16, 1976)

* * *

The Interior Minister of Thailand has announced that the Vietnamese are scheduled to invade his country on February 15. Please remind Hanoi not to miss its appointment, as the Minister is very busy and can't afford to waste the time. Thank you.

Bill Birmingham

TRENDS

VICTORY FOR PRIVACY

Two years ago Frances Knight, director of the State Department's Passport Office, created quite a stir with her call for a national identification card for every citizen. Knight's proposal, widely regarded as a trial balloon to test public reaction, now appears to have received its coup de grace. The Federal Advisory Committee on False Identification has denounced any such move as "an invasion of personal privacy." The 75-member committee's final report opposes any "so-called national I.D. card" and "strongly opposes any new type of state or local government-issued I.D. intended to supersede existing documents." Recognizing that a considerable problem of fraud does exist, the committee nonetheless concluded that any new national system could make the problem worse instead of solving it. Why? A single monolithic system would likely be easier to defeat than the present multifaceted identification system, by people "taking advantage of careless inspection of documents or through corruption of officials."

Hopefully, this insidious threat to personal freedom will now be permanently laid to rest.

SOURCE:
- "National I.D. Cards Opposed," AP (Washington), Dec. 9, 1976.

CREDIT REGULATIONS BACKFIRE

New Federal laws designed to make financing more available to women and minorities are not achieving that objective. What they *are* doing is increasing the costs of credit for all consumers. These conclusions come from James F. Smith, senior economist in the Research and Statistics Division of the Federal Reserve Board.

Smith spent the better part of last year analyzing statistics on who does and does not get credit. Several major studies by university-based economists have found that in the several years *prior to* passage of the Equal Credit Opportunities Act (in 1974), women who were otherwise as well qualified as men actually received credit *more* often—by 5 to 10 percent. The new law, however, prohibits this kind of "discrimination" in favor of strict numerical equality. It also calls for setting up costly special-purpose credit programs, akin to "affirmative action" hiring programs, to re-evaluate applicants who fail to qualify under regular standards. Besides being unnecessary, says Smith, these programs result in added costs, and subject firms which don't adopt them to possible lawsuits.

Indeed, according to Smith's calculations, the cost of implementing the ECOA has been over a quarter of a billion dollars, borne directly by consumers. (Did you wonder why you now have to pay a monthly service charge for your Master Charge card, even if you pay in full?) And the ongoing annual cost of compliance is estimated at $118 million in paperwork and filing costs.

In his recent speech to the National Economists Club, Smith also had harsh words for the Truth in Lending Act, the Fair Credit Billing Act, and state usury laws, all of which he finds similarly costly and/or counterproductive. Is anyone in Congress and the legislatures listening?

SOURCE:
- "Fed Economist Says Many Credit Laws Hinder, Not Assist, Women, Minorities," *Washington Post,* Nov. 24, 1976.

BROADCAST MONOPOLY BROKEN

The State's legal monopoly on broadcasting—a fact of life in virtually all countries but the United States—has been broken in Italy. This development stems from two rulings of the Italian Supreme Court. The first, in 1974, permitted private transmissions of local cable TV stations, and reception of foreign TV programming by means of a special antenna. This ruling has created considerable competition for the government's two national TV channels. Further, in the same 1974 ruling the Supreme Court also warned that the State monopoly could be constitutionally defensible only if changes were made to ensure impartiality, objectivity, and completeness. (Italian TV has been notorious for censorship and for slanting news to support government policies.) This led to passage of a "reform" bill designed to reorganize the monopoly, but the bill's provisions have yet to be implemented.

Meanwhile, encouraged by the Court's ruling, hundreds of independent radio stations began springing up on unused FM frequencies, without State permission. They are presenting music, news, talk shows, political propaganda, and (shades of capitalism)—advertising! When the stations' right to exist was challenged by RAI, the State monopoly, the Supreme Court ruled by 11-2 last July that local airwaves are open to everyone. Now, some 600 "free" or "pirate" radio stations exist, providing an unheard-of diversity of programming around the country, and drawing listeners away from RAI's three national radio stations. In the recent Italian elections, free radio provided much-sought-after advertising for candidates, especially those of the smaller parties. Even the Communists, at first violently opposed to the idea, have come around, thanks to the availability of new platforms for espousing their point of view. Free radio, in short, appears to be working.

SOURCE:
- "Italian Broadcasting Wild and 'Free,' " *Washington Post,* Nov. 10, 1976.

EASING DRUG LAWS

December saw two additional steps in the slow but steady easing of the nation's drug prohibition. The outgoing Ford administration issued a policy statement on Federal strategy for drug abuse prevention that, for the first time, questioned the use of criminal penalties for marijuana possession. Robert L. DuPont, director of the National Institute of Drug Abuse, described the change in policy as a "very positive step." The strategy paper called for examination of the effects of partial decriminalization in the eight states and three foreign countries (Italy, The Netherlands, and Columbia) which have recently eased their laws.

On the same day that the report was released, a district court judge in Boston declared unconstitutional the Massachusetts law banning the use of cocaine. Judge Elwood McKinney stated that the law violates the 5th and 14th Amendments, in dismissing a case against a Roxbury man. The judge pointed out in passing that cocaine is far less dangerous than cigarettes or alcohol. But because district court cases in Massachusetts do not set precedents, the decision will not affect enforcement of the state's cocaine law.

SOURCES:
- "Ford Administration Eases Stand on Marijuana Laws," *Los Angeles Times,* Dec. 12, 1976.
- "Judge Calls Cocaine Safer Than Alcohol," AP (Boston), Dec. 12, 1976.

AIRLINE PRICE COMPETITION

A plan for significant airline price competition that the CAB previously

rejected out of hand has won a new lease on life. The U.S. Circuit Court of Appeals in Washington, DC ruled that the CAB had misinterpreted the Federal Aviation Act in denying the application of World Airways to provide coast-to-coast service for only $89. The agency had claimed that it could not consider the application because World, a charter carrier, wanted to provide regularly scheduled service. The three airlines now franchised to provide scheduled coast-to-coast service—United, American, and TWA—had protested bitterly World's threatened upset of the status quo.

A week after the court's December ruling, the CAB gave in, agreeing to reconsider World's application rather than appealing the decision to the Supreme Court. Although the other airlines might still appeal, and the CAB may still turn World down, these developments appear to represent an important step towards real competition in commercial aviation.

SOURCES:
- "CAB Ordered to Give $89 Fare Plan 2nd Look," UPI (Washington),. Dec. 9, 1976.
- "CAB to Reconsider World Airways Plan," *Ibid.,* Dec. 16, 1976.

CLOTHING-OPTIONAL PROVES PROFITABLE

The past decade has seen a considerable boom in the concept of "clothing optional" beaches. Since virtually all beach land is government-owned, however, no market value has been placed on the availability of such resources. Swimming pools, however, are mostly privately owned, and Austin, Texas is the scene of a unique experiment in determining the market value of clothing-optional facilities.

Last June 32-year-old Terry Parker took over management of Canyon Villa, an 18-unit apartment complex with swimming pool. Its occupancy rate was only 50 percent, and as a result it was losing money. Parker, a libertarian and former minister, decided to introduce a clothing-optional policy on the apartment complex grounds. Six months later, despite a 10 percent rent increase, the complex is full. And the idea has become so popular that Parker has been hired to manage 78-unit Manor Villa, which went clothing-optional the first of the year. The owners plan to keep a watchful eye on the results, with the idea of introducing the concept in other apartment complexes if Parker's initial success is repeated.

Parker sees the clothing-optional policy as a matter of personal freedom. "It allows people to be friendlier," he says. He has abolished formal rules and regulations and encourages people to work out ways of coexisting without conflict. He encourages group meetings to resolve disputes, rather than simply evicting "nuisances." Only one such meeting has been necessary in six months at Canyon Villa. Parker's live-and-let-live approach is a refreshing innovation in the usually staid world of landlord-tenant relationships.

SOURCES:
- "Tenants Are Happy and Profits Are High," *Austin American-Statesman,* Dec. 12, 1976.
- "Texas Apartments Boom When Clothes Are Shed," UPI (Austin), Dec. 19, 1976.

RESTITUTION SUCCESS

Somewhere along the line in the development of American criminal law, the idea that the criminal should make restitution to those he harmed has been forgotten. Criminal proceedings have become contests between the State and the criminal, with the victim virtually ignored. To have any hope at all of collecting from the criminal, the victim must wait until guilt is pronounced and then at his own expense file a civil suit to recover damages. Not surprisingly, few victims take the trouble.

All that is being changed in Winona County, Minnesota, however, thanks to Judge Dennis A. Challeen of the Winona County Court. Challeen has developed and put into practice a "self-sentencing" program emphasizing restitution to victims. Since 1972 over 3000 misdemeanants have been sentenced under the program, often with amazingly successful results. Burglars go to work for those they ripped off, auto thieves locate the owners of the cars they stole, vandals repair the damages. Many of those sentenced have found new jobs as a result, and the repeat rate is only *two percent* compared with 50-75 percent nationally. The program has not required any changes in the law; it merely utilizes the vast discretion available to the judge in sentencing. The restitution arrangement is offered to the criminal as an alternative to jail or other conventional sentence, and most find it preferable.

Judging by the results, Winona County's program deserves widespread emulation by the costly, ineffective courts in most American communities.

SOURCE:
- "Self-Sentencing Results Productive, Surprising," AP (Winona), Dec. 16, 1976.

WRONG VILLAIN

Television broadcasting has fostered a massive increase in political campaign spending, creating a whole new industry for marketing candidates. Right? Wrong, according to two University of Delaware economists. Actually, political broadcast advertising has drastically reduced the amount of money that presidential candidates need to spend. The seven presidential campaigns of the years 1948 through 1972 would have cost $300 million more if TV broadcasting had not been available.

So concluded economists Burton Abrams and Russell Settle in a recent article in the *Journal of Political Economy.* They analyzed campaign expenditures from 1868 to 1972, using a complex econometric model to account for the growth of the voting-age population and a variety of other factors. The model predicts, based on past experience, post-World War II campaign expenditures far higher than those actually experienced, suggesting the importance of TV as an explanatory variable. Their conclusion is further supported by state-by-state comparisons of expenditures in the 1952 and 1956 campaigns, years when per capita TV ownership still varied widely among the states. In those years per capita expenditures were far higher in states with low TV ownership.

Abrams and Settle do not deny that campaign spending has nonetheless grown substantially over the past two decades. But they see the cause not as TV advertising but rather the vastly increased role of government in the economy. This creates the possibility of "legislative profits"—a polite term for the dollar benefits to be gained by getting the right politicians on your side. Indeed, the concept of legislative profits helps explain why one-sided campaigns (Johnson-Goldwater and Nixon-McGovern) where the outcome is all but certain actually generate *higher* campaign spending. The smart money is given to the sure winner, in order to purchase future benefits.

SOURCE:
- "Why TV Cuts the Cost of Campaigning," *Business Week,* Nov. 22, 1976, p. 12.

TACKLING HEALTH CARE COSTS

Although health care costs are rising at twice the rate of the Consumer Price Index, a takeover of health care by the Federal government, as advocated by many politicians, "would result in national expenditures of truly astronomical proportions." So said the outgoing Council on Wage and Price Stability, after a year-long study of U.S. medical care and its costs. "Cost control incentives proposed by the pri-

vate sector—that is, by industry and labor—promise to be more effective than those imposed by the multitude of government agencies which have attempted to tackle the problem," stated the Council's report, in urging industry and labor to take action. One hopes the Council's thoughtful advice will be heeded by the new Congress, as well.

One example of the kind of cost-cutting the Council had in mind has been in the news recently: home health care. Over the past few years some 68 firms have quietly begun providing at-home treatment, under a doctor's supervision, for a fraction of the cost of hospital or nursing home care. A study of 485 home care patients in Rochester, NY, for example, reported an *average* savings of 21 hospital days per patient. With hospital costs in the city averaging $108 per day and home care averaging $15.61 per day, the annual savings amounted to $880,000. One of the largest home care firms is Homemakers Home & Health Care Services Inc., a subsidiary of Upjohn Co. It supplied 20 million hours of service in 1975, and operates out of 220 offices in 45 states.

Home health care is a good example of the response of the market to rising cost pressures. In making rational allocations of scarce health care resources, it exemplifies a philosophy opposite to that of the typical governmental "cost-plus" attitude.

SOURCES:

- "Industry, Labor Urged to Act on Health Costs," UPI (Washington), Dec. 22, 1976.
- "Health: The Big Private Move Into Home Care," *Business Week*, Nov. 15, 1976, p. 50.

MILESTONES

- *Tax Return.* One city government has gotten the word from tax-weary citizens. Garden Grove, California, like many other cities, experienced a large increase in assessed valuation during 1976. Rather than simply spending the increased revenue that resulted, the City Council decided to return the extra revenue to the city's 25,000 homeowners. The average homeowner will get between $10 and $40 back, depending on the amount of his increase in assessed valuation. As far as we know, Garden Grove's action is the first of its kind. (Source: "Garden Grove to Return Tax Hike to Homeowners," *Los Angeles Times*, Dec. 11, 1976.) ☐

This column reports trends in the advancement of individual liberty and the rediscovery of economic freedom. Readers are invited to submit material of potential interest.

An OPEN LETTER from T. J. Holt

TO ALL GOLD BELIEVERS

When gold prices plummeted toward $100 last summer, some leading gold advocates abandoned their own long-stated "convictions" — leaving their followers adrift and bewildered. Some others even turned completely around and predicted that the gold price would drop below $100 imminently.

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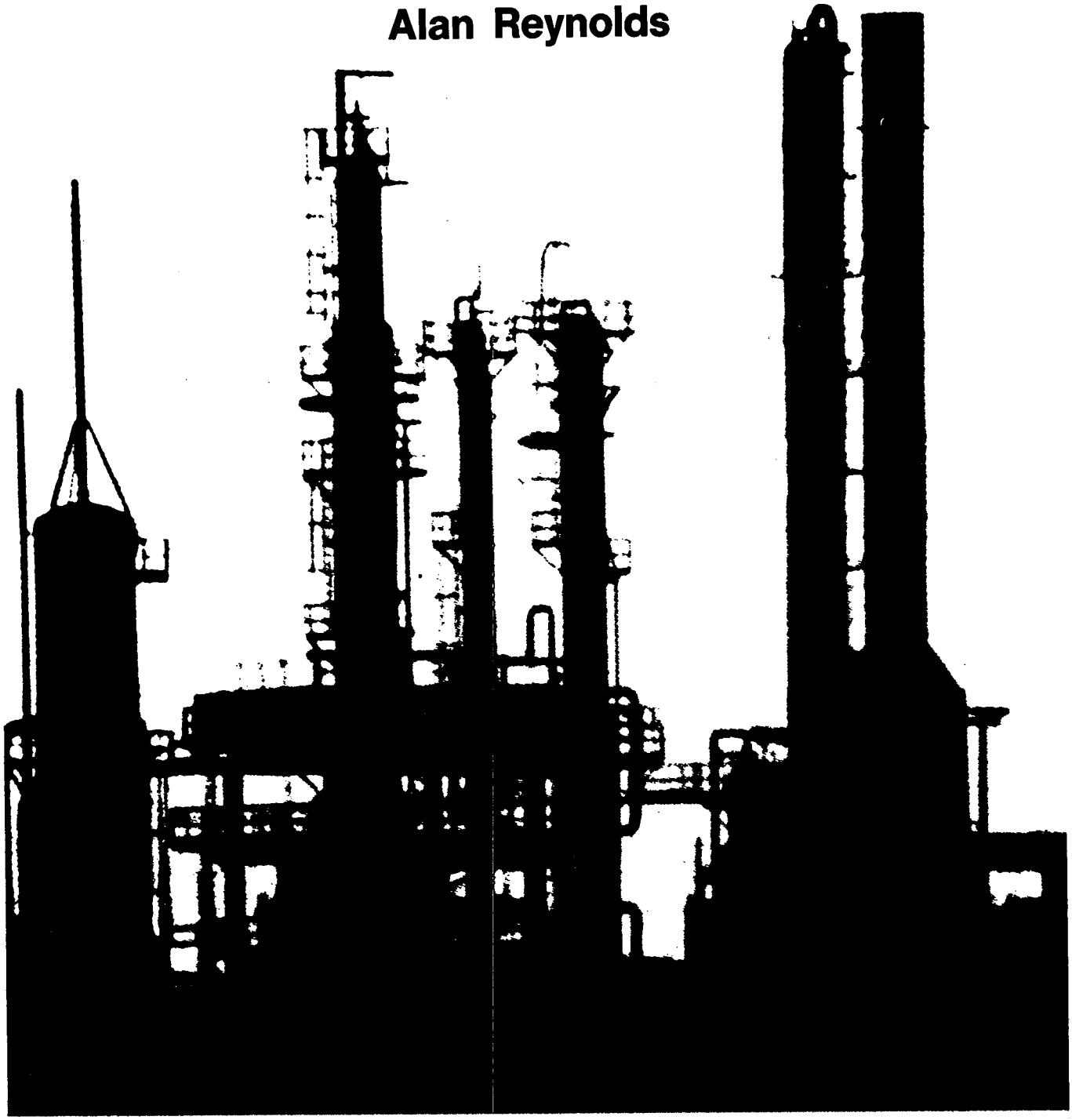
ENERGY CRISIS: Made in Washington

Alan Reynolds



Our energy problems were made in the U.S.A. OPEC never would have gotten off the ground without the diligent efforts of the Federal Power Commission (and the State Department). Given the FPC, the Arab embargo still would not have caused the long lines at gasoline stations without the help of the Federal Energy Office. But given these disastrous policies, and many more, we would nonetheless be well on our way to solving the resulting energy problems were it not for the Federal Energy Administration. There is no energy problem. There is just another problem of government regulation.

In the past few decades, a growing tide of regulations has increased the demand for oil while simultaneously restricting domestic supplies of oil, coal, nuclear power, and natural gas. Environmental regulations have pushed utilities and industries out of coal and into fuel oil and natural gas. Pollution-control devices on cars increased gasoline consumption. The Coal Mine Health and Safety Act of 1969 shut down many mines. Ambiguous laws blocked the Alaskan pipeline, offshore drilling, strip mining, and the construction of refineries. It takes nearly twice as long to get a nuclear power plant into operation in the U.S. as it does in France or Japan, and the four-to-six-year difference is entirely a measure of red tape. At the state level, government prorationing restricted oil production to some percentage of a somewhat arbitrary "maximum efficient rate."

None of these things, however, caused a "shortage" of oil and natural gas. A shortage always means that consumers want to buy more at some specific price than producers want to sell at that price. If the price were higher, initially, consumers would demand less and producers would supply more, and the shortage would disappear. Even at the peak of the Arab oil embargo, there would have been a massive surplus of unsold gasoline at a dollar a gallon. So, the myriad rules and regulations that increased demand and restricted supply simply would have increased oil and gas prices, in the absence of price controls, and the inflationary monetary policy in recent years would have contributed to the rise.

But the Federal Power Commission has controlled the wellhead price of natural gas sold to interstate pipelines since 1954, and domestic crude oil has been under some sort of price controls since even before 1971. The inevitable result was that demand outran supply at the controlled prices, leaving a gap that could be filled only by larger and larger imports. That put foreign oil producers in an enviable bargaining position.

In the four years before the embargo, oil imports soared from 22% to 36% of U.S. consumption, and the proportion will probably hit 45% within a year. The share of these imports coming from Arab countries has risen even more rapidly, jumping from 12.2% to 22.5% of our imports between 1974 and 1975.

The Congressional response to this increased dependence on an unreliable foreign cartel has been to extend price controls to new oil and to roll back the total price, to attempt to extend price controls to intrastate sales of natural gas, to seriously consider breaking the energy industry into ineffectual fragments, and to compel taxpayers to pick up the pieces left by this deliberate demolition of our energy industries.

Why allow the boom in intrastate gas development to continue, figured the House, when with a simple violation of the Constitution, the whole country easily could be made miserable?

Rather than deal with the natural gas shortage, Congressional committees have solemnly pondered the question of whether or not the shortage really exists—which is about as foolish an inquiry as one could imagine. To say that the shortage did not exist would be to say that all industries and households could get all the natural gas they want at the controlled interstate price. Yet 33 states now have strict restrictions on supplying gas to new customers, and curtailments of supplies to established customers have increased from 286 billion cubic feet in 1971 to 2.7 trillion cubic feet in 1975. Marketed production of natural gas declined by about 5% in 1974, and another 7% in 1975.

Had it not been for mild winters and the reduced demand due to recession, the natural gas situation might already have caused more problems, more closed factories and cold houses, than the Arab embargo. As it is, the increasing shortage of natural gas has pushed more and more households and firms into the closest substitute—namely, imported oil. Even those who are lucky enough to get interstate natural gas are seeing a sharp rise in price as distributors are forced to include more and more imported liquefied natural gas or synthetic gas—either of which is several times more costly than deregulated natural gas would be.

Occidental Petroleum and El Paso Natural Gas are actually negotiating with the Soviets to develop Siberian gas for the U.S.—which is hardly the safest or cheapest route to a reasonable degree of energy independence.

An article in *Readers Digest* last August, by James Nathan Miller, urged the reader to "write your Congressman telling him to vote against deregulation." Why? Because natural gas reserve data are collected by gas producers and distributors, rather than by, say, journalists or fishermen. True, the reserve data have been checked by the FPC, FEA, DOT, ERDA, SEC, FTC, Bureau of Mines, and the U.S. Geological Survey. But Mr. Miller figures they are all soft on the industry and can't be trusted.

On June 10, 1975, the *New York Times* ran a prominent headline: "Gas Price Rigging Alleged by FTC." Actually, it was not the FTC, but the FTC's Bureau of Competition. The charge was that the American Gas Association had understated proved reserves in order to panic the FPC into letting gas prices rise. What the *Times* neglected to mention was that the Federal Trade Commission's own Bureau of Economics had demonstrated two months earlier that the Bureau of Competition complaint contained no proof at all, that what was offered as proof really showed that the AGA data overstated reserves, and that the complaint was "extremely ill-advised."

In fact, the American Gas Association, which collects reserve data, mainly represents 300 pipeline companies and distributors—not those who drill and produce the gas and are subject to FPC price controls at the wellhead, but those who get it from the wellhead to the home or factory. The major interstate pipeline companies have benefitted substantially from FPC regulation of the price they pay for natural gas. Their net return on equity rose steadily from the time controls were

imposed—from 15.5% in 1955 to 29.3% in 1972.

In any case, the level of proved gas reserves is unimportant. It is just an estimate of how much gas is recoverable from discovered reserves with present technology at present prices. Improve recovery techniques, or raise the price, and proved reserves will increase. And there is lots more gas in undiscovered wells, under the oceans, and in the Rocky Mountains. At a higher price, it would become possible to use costly enhanced recovery methods to squeeze more oil and gas out of existing wells, and it would become possible to explore in hostile areas. There is no single magic price that will provide "enough" incentive and financial resources: the supply curve does not kink and turn horizontal at some price.

What is important about gas reserves is not the level, but the trend. We unquestionably have been consuming gas at two or three times the rate at which we have been adding to working inventories—proved reserves. We have been eating everything in the cupboard and not making enough trips to the grocery store. Any estimate of proved reserves which uses the same methods over time will show such a trend, although different assumptions about recovery rates and price could result in a different level of reserves at any moment in time.

The whole issue came to a head recently when a major Louisana gas producer found itself facing two lawsuits at the same time—one brought by the FTC for understating reserves, and another by the FPC for overstating reserves.

An insight into the thought processes of those who claim that the natural gas shortage is a myth is provided in a recent pamphlet called "Questions and Answers About the Nature and Causes of the Natural Gas Shortage," distributed at taxpayers' expense by the staff of the House Subcommittee on Oversight and Investigations.

According to this report, the high demand for natural gas had nothing to do with price, but was due to "aggressive promotional campaigns." Falling supplies had nothing to do with price either, except that producers are supposedly "withholding" production in the hope that prices will rise. Such conservation practices sound rather sinister until we learn what is meant by "withholding." The report said: "If a natural gas resource is thought definitely to exist but is not explored, withholding of gas may be involved." That is, failure to explore for gas is considered evidence of withholding, as is the failure to drill in explored areas in "a timely manner."

The pamphlet then cites a study that found a juicy example of such withholding: "Getty has been unwilling," the study found, "to commit substantial sums to accelerated production . . . ." The subcommittee pamphlet leans heavily on a study by Lawrence Kumins of the Library of Congress, whose work on deregulation of both oil and gas prices deserves the Hobart Rowan Award for Economic Illiteracy.

Kumins figures that decontrol of natural gas prices would squeeze at least $20.3 billion out of beleaguered consumers. That is a rather remarkable figure, since the total wellhead cost of FPC-controlled gas was only about $4.6 billion in 1974. Kumins somehow assumes a deregulated price of $2.50 per thousand cubic feet, which is twice the average unregulated price of gas sales within producing states. Then he acknowledges that annual production would increase by three trillion cubic feet as a consequence of decontrol, so that three trillion times $2.50 per thousand becomes $7.5 billion of "additional cost" to consumers. Of course, this is not an additional cost at all, since the alternative is to heat homes and run factories with far more expensive imported oil and liquefied natural gas.

Imposing maximum gasoline purchases and restricted gas station hours ensured that people would form longer lines and get in line more often.

Kumins then simply adds a few such bogus price increases to the total price level of Gross National Product to show that inflation would rise by a percentage point or so. But even if people did spend that much more on gas, they would then have less to spend on other things, so nominal GNP and inflation would not rise.

Kumins also figures that decontrol would put hundreds of thousands of workers on the dole. Apparently, not having that extra three trillion cubic feet of domestic natural gas, and instead transferring more wealth to the Arabs or Russians, is considered the best way to increase domestic production and employment.

Armed with this sort of non-analysis, the House passed an equally silly bill. Only small producers, who produce 30% of the gas, could be exempted from price controls in the House bill. This curious piece of favoritism is based on the Nader-Hart theory that "competition" requires a large number of firms, plus special breaks for high-cost producers, and an absolute legal prohibition of any price rivalry whatsoever. Small firms would have an incentive to stay small, in order to remain exempt from price controls, and big firms would become small through bankruptcy.

The House bill would also extend price controls to intrastate sales, sales that do not involve interstate commerce. The House figured that there is no point in allowing the recent boom in intrastate gas development to continue when, with a simple violation of the Constitution, the whole country easily could be made miserable. This is the egalitarian approach to shortages.

The Federal Energy Administration estimates that the average residential fuel bill would be $205 in 1985 under the Senate gas decontrol bill, $280 under existing FPC controls, and up to $311 under the House control bill. The apparent paradox—that the more severe the price controls the higher the fuel bill—is easily explained. With decontrol, there would be larger supplies of natural gas to replace more expensive substitute fuels, and decontrolled prices would allow customers to bid gas away from use as an industrial boiler fuel in the Southwest into more efficient and higher-value residential uses.

Looking backward, Paul MacAvoy has estimated that past FPC controls had already created a natural gas shortfall by 1972 which was the equivalent of 1.8 million barrels of oil a day. Most of that gap was filled with Arab oil, and it is at least as large as the peak impact of the Arab embargo. In short, the success of the OPEC cartel is critically dependent on our own FPC regulations.

Given the energy problems caused by one set of government regulatory agencies—mainly the FPC and EPA—the natural "solution" was to set up another regulatory agency, the Federal Energy Office.

Freezing heating oil prices at off-

season lows after August 1971 caused a heating oil shortage in the winter of 1972. So, the FEO began facing the 1973 crisis by fighting last year's problem—forcing refineries to cut back on gasoline production in order to produce more heating oil. Heating oil supplies in February 1974 wound up 38% above the level of a year before, apparently in preparation for subzero weather that spring.

Then the FEO allowed price increases on gasoline only at the end of each month, so gas stations closed at the end of each month and the waiting lines grew even longer.

Then, FEO allocated gasoline to dealers on the basis of 1972 sales. That put oodles of gasoline where the people had been in 1972—in remote vacation spots, in areas where population had declined, and along interstate highways. But the people were staying close to home. State and local authorities contributed to the confusion by imposing maximum gasoline purchases and restricted gas station hours, thus ensuring that people would form longer lines and get in line more often.

The early decision that oil from older domestic wells was not really worth as much as foreign or new oil caused all sorts of problems for the regulators, problems that continue today. One problem is that production from older wells gradually declines unless costly "enhanced recovery" techniques are used. But such techniques would require selling the added oil at a huge loss if it had to be priced at $5.25 a barrel. Paul MacAvoy estimates that this effect of price controls reduced domestic oil production by one-third of a million barrels per day in 1973. The Energy Research and Development Agency estimates that enhanced recovery could squeeze a million more barrels a day out of existing wells by 1985, but the required investments will never happen under any sorts of political price controls. Too much uncertainty.

A second problem was the 355,000 "stripper wells" that produce less than ten barrels of oil a day apiece, but together account for 11.5% of U.S. oil production. At $5.25 a barrel, many of these marginal wells might as well be shut down, so they were exempted from controls in 1973. But this created a perverse incentive to keep production below 10 barrels a day and to avoid the use of enhanced recovery methods.

The main problem arising from keeping old oil at $5.25, however, was that those refineries with access to more of that oil would be required by the price control formula to price their refined products well below the prices charged by their crude-poor competitors. This is not really a David and Goliath match, as it is often portrayed, since big outfits like Mobil and Standard of Ohio refine much more crude than they produce, while smaller companies like Getty and Kerr-McGee have abundant supplies of domestic crude. The problem was how to get Getty to subsidize Mobil, or how to tax those who had developed domestic oil in order to subsidize those refiners who preferred to import their crude.

The FEO first tried a buy/sell program in which those refineries that were operating even further below capacity than average could get cheap price-controlled oil from those refineries that produced it. Those who were short of $5.25 oil had every incentive to avoid buying imports or new oil, so that they would get cheap oil at their rivals' expense. Those who had relatively good supplies of $5.25 oil had equally strong incentives not to scramble for scarce and costly imports, since if they seemed to have enough, some of their cheap crude would be sent to a competitor. Crude imports dropped to about 20% of a very small total, refineries ran at about 75% capacity, and FEO's bungling in 1974 was blamed on the Arabs.

We end up legislating an increase in the demand for Arab oil—making it easier for OPEC to hold our homes and factories up for ransom.

The Socialist government of West Germany just let prices rise a bit, and there was no crisis. The Netherlands weathered the embargo in the same way, with no significant difficulty, no gasoline lines.

On February 25, 1974, *Newsweek* ran a lengthy expose of the FEO allocation fiasco, entitled "A Cure That's Worse Than the Disease." It got so embarrassing that the Federal Energy Office changed its name to the Federal Energy Administration, but the cure continued to be worse than the disease. In fact, the cure was and is the disease—the solution is the problem.

In November 1974, the FEA scrapped the buy/sell program and instead adopted an "entitlements" program. Under this program, refiners who own an above-average share of old oil actually pay money to refiners who import a large share of their crude oil. The latter are called "independent" refiners (which is not to be confused with independent producers), but it might be more accurate to call them dependent refiners—dependent on OPEC. It is hard for people to believe that some oil companies have to pay their import-dependent rivals for the privilege of refining their own oil at a price far less than we pay to the Arabs. It is, of course, exactly like taxing producers of domestic "old oil" about $3 a barrel and using the proceeds to subsidize imports.

One consequence recently made the news. Amerada Hess has a big refinery in the Virgin Islands, which is U.S. territory, so Hess has gotten about $300 million in entitlement payments. Other Caribbean refineries did not have that edge and were being driven to the wall, so entitlements now go to these foreign refineries, too. Now the U.S.-based refineries are hurting, because they foot the bill. So Congress exempted smaller refineries from making entitlement payments to fairly big outfits, like Hess. That gives these smaller refineries a cost advantage of up to 10 cents a gallon, so they can profitably sell their gasoline for a dime a gallon less than their competitors. A lot of gasoline stations may not survive this rigged competition, so we will probably get a new agency to deal with that problem.

In December, FEA chief Frank Zarb managed to convince President Ford to sign the Energy Policy and Conservation Act of 1975. Before the ink was dry, the FEA was asking the OMB for another $600 million to deal with the administrative problems built into the act. The FEA's zeal for expanding its powers is already legendary. The agency had 4,000 employees by the end of 1976. Its press office uses 112 people and $3.5 million to publish coloring book propaganda and to convince people that the FEA is the best thing since Santa Claus. The FEA overlaps all sorts of other energy agencies and has tried to grab the authority to allocate coal during emergencies of its own making. The original FEA "Project Independence Blueprint" was full of strange ideas like requiring that all new homes be electrically heated, which would double the cost of heat-

ing these homes, make them unsalable, and put an additional strain on our already inadequate electric generating capacity.

Little wonder that Mr. Zarb liked the Energy Policy and Conservation Act, sometimes called the Cold Homes and Dark Factories Act. It too is full of curious ideas, like forcing Detroit to build tiny cars while simultaneously trying to keep gasoline cheap so those cars won't sell. The law is also full of special subsidies and tax breaks, of the sort that this Congress usually calls "loopholes." And it grants truly awesome power to the executive branch: for example, "The President may by rule or order require the allocation of . . . supplies of materials in order to maximize domestic energy supplies." No domestic energy producer really owns anything any more.

The new law reneges on the administration's promise to leave new oil decontrolled, thus effectively expropriating part of the investments made because of that empty promise. The average prices of old and new oil are to be rolled back and then allowed to rise at a rate that may not even keep up with inflation in the cost of drilling equipment. Since old oil will naturally become a smaller share of the total as time goes on, and old oil supplies dwindle, a fairly constant average of old and new oil prices would really mean a declining price for new oil. Price controls may, at the President's discretion, end after forty months. But nobody really believes that they will. If producers believe it, they will wait until then to do much of anything in the way of expanding output. If they do not believe it, they will get into something more profitable—like running a newspaper or TV network and attacking obscene profits, while praising the social responsibility of subsidized losers. Diversification has already begun, Mobil's acquisition of Marcor being only one example.

There has been some controversy over whether or not the temporary rollback in domestic crude prices will actually result in a reduction of a penny or two in the price of gasoline, or whether it will just boost the profit margins of certain refineries. Gasoline prices had been falling anyway, despite rising crude prices, and oil companies had accumulated about $1.5 billion in "banked costs" which they could not pass on to consumers because the market was soft.

If the rollback does not result in a comparable decline in retail prices, it will lower costs and boost profits for those import-dependent refineries who qualify for entitlements. The result will be an incentive to increase imports and avoid domestic production.

If the rollback does result in lower prices of refined products, then demand will be higher, and demand can only be met with more imports. Either way, we end up legislating an increase in the demand for Arab oil—making it easier for OPEC to stick together and to hold our homes and factories up for ransom.

The new law requires that taxpayers build a crude oil stockpile, at a cost of ten or twenty billion dollars over the next seven years or so. Why can't private industry and speculation bear this cost? After all, a private stockpile would be very valuable in the event of an embargo. But because of price controls and confiscatory allocation, there are no property rights in oil inventories. So taxpayers get stuck with the tab, and the Arabs get to sell more oil to us to fill our stockpile.

There is a bill pending in the House that would freeze oil imports at the current level, even though domestic supplies of oil and gas are falling and population is growing. Import quotas would reduce supply and raise price exactly as an embargo did. Since there would be a growing unsatisfied demand for imported oil, OPEC could easily charge much more than they do now. They would get more of our money, and we would get less of their oil.

Then there is Mr. Rockefeller's Hundred Billion Dollar Plan, which presumably would be financed with moral obligation bonds. The idea is to get taxpayers to underwrite ventures which are too risky to attract sensible investors. They are too risky because they are based on the curious idea of using our most expensive energy resources first, and saving the oil and gas until later, when it will probably be obsolete. Some worthwhile ventures are too risky for another reason, a reason cited by Vice President Rockefeller himself: "Private capital sources are, for good reason, reluctant to make capital available for domestic energy-production projects, because of the uncertainty of government regulation . . . ."

Then there is the idea of breaking up "big oil." Those refineries who were foolish enough to develop crude oil supplies in this country may be asked to divest themselves of these properties, if they can find some suckers to buy them. There have been lengthy Congressional hearings on this subject, and all of the competent testimony demonstrates conclusively that all aspects of the industry are vigorously competitive, that vertical integration is irrelevant, and that forced divestiture would be a disaster for American consumers and a boon to the Arabs. Since each aspect of the oil business is competitive, firms gain no monopoly power by engaging in several of these competitive activities, such as production, refining, and distribution. Multiplying zero monopoly power times three is still zero.

Finally, there is the idea of a tax-exempt and subsidized Federal Oil and Gas Corporation (FOGCO)—which is dormant but by no means dead. Once Congress has finished demolishing the domestic energy industry, with whimsical changes in the rules of the game, there will not be anyone left to pick up the pieces but the U.S. taxpayer. When FOGCO was first proposed, as a "yardstick" by which to measure the performance of the oil and gas industry, Gulf Oil responded quite appropriately by trying to buy Ringling Brothers, Barnum & Bailey Circus—as a "yardstick" by which to measure Congress. ◻

A contributing editor to REASON, Alan Reynolds is a vice president of the First National Bank of Chicago. He has served as contributing editor in economics to National Review *and has published in the* New York Times, *the* Wall Street Journal, *and* Harvard Business Review, *and other journals. This article is based on a paper Reynolds delivered at the Center for Constructive Alternatives at Hillsdale College and is reprinted by permission from the center's journal,* imprimis.

SORTING OUT SKINNER

Richard Crum

If, as has sometimes been dubiously contended, Western philosophy is a series of footnotes to Plato, our generation may devote much time to dotting the i's and crossing the t's of B. F. Skinner's *Beyond Freedom and Dignity,* whose basic theory is that social engineers can devise a system that will automatically reward socially desirable behavior. These rewards Skinner calls "reinforcers."

When the proposal is stated in oversimplistic terms, as above, one begins to wonder why someone hadn't hit on it before. Like all important ideas, it is basically simple. And in a way, like Existentialism, it has been known to the Great Thinkers and practised by the Great Teachers. The latter, at least, have always known that teaching is rapport.

Skinner's treatise can be seen as a systematic attempt to draw out the implications of a deliberately harmonious and consciously self-directed society. His proposed method is to build rewards into the environment so deftly as to give them the appearance of being automatic and natural.

Rewards for good behavior are superior to punishment for bad behavior because punishment is antihuman. It tends to generate guilt, cowering, self-doubt, or pent-up aggression. Rather than punish, in problem cases, Skinner would deprive of privileges, or isolate the offender for very brief periods.

At a Quaker camp for conscientious objectors where I passed three years of my life, we had a good illustration of the usefulness of Skinner's proposals on substitutes for punishment. An assignee who had been "soldiering" (we said "goldbricking") on the job of cutting down trees would find one morning that when the axes were given out there was none for him. He spent the day alone while others trooped off merrily to the various clearings to chop down their trees.

One can see that Skinner's system of positive rewards for constructive actions might have enormously fruitful results in a classroom or the ward of a mental hospital. Skinner's claims on habit control seem to me not to be overstated. "The size of the reinforcer," says Skinner," is less important than its immediacy and contingency." An animal or a gambler, for example, can indeed be hooked by repeated small payoffs.

It is good to see Skinner going beyond permissiveness, which, despite the excellence of its emphasis on spontaneity, too often leads to vacuousness, sloppy work habits, and alienation. One wants very much to believe that Skinner's positive-reinforcement (reward) methods, if employed with the young, might transform them into constructive and creative persons who know how to enjoy the good life and make the world a better place for themselves, their peers, and those who come after them. The problem, in Skinnerian education, will be to perceive, in each individual case, precisely which "self-reinforcers" are to be tooled for that particular student, to bring out *his* peculiar gifts, talents, and bents. A sharp distinction should be made, however, between the successes attainable in schools and the application of Skinner's theories to society as a whole. Aside from the imputation of "benevolent fascism" which some critics have made, Skinner passes over in silence the central question of what kind, or rather kinds, of human beings are desirable. One applauds his recurrent accolades for diversity; but they remain largely verbal. Yet diversity is an imperative need. Friedrich Nietzsche said that when he was asked what is the way, he replied that there is no such thing as "*the* way."

Cecil John Cadoux, author of that magisterial volume *The Early Church and the World,* states in his exciting essay *Christian Pacifism Re-examined* that we ought always to be on guard against too-easy transpositions of ethical schemas from personal to societal relationships. Take, for example, the notion of an "international police-force." Policemen generally shoot the culprit—not innocent bystanders, as in

so-called police-action wars. Again, behind the policeman stands some sort of agreed-upon law that has emanated from a cohesive society with established values. There is absolutely no such thing in the vast chaos of the world at large, with its contradictory cultures and clashing value systems.

Skinner's reward system probably works very well in the limited contexts where it has been tried, in schools and voluntary communes of young people. But to impose it on the great world is something else again. Before it could be instituted, there would have to be a consensus as to priorities in both personal values and social goals. "The largest undertakings," said Democritus, "are carried through by means of concord . . . . There is no other way . . . ." Are we about to enjoy that blessed consummation?

Bernard Mandeville in his *Fable of the Bees* contends that, preponderantly, individual virtues are social vices; individual vices make a strong society.

Skinner can be seen as drawing out the implications of a deliberately harmonious and consciously self-directed society.

Improvident people produce an affluent society. If people were thrifty and saving, it would soon ruin our economy. And so on right down the line. This is a matter that cannot be underlined too much or emphasized too often. "National honor" necessitates that we commit acts which, in the realm of personal ethics and relationships, are eminently dishonorable.

One bone sticks in the throats of Skinner's critics most frequently—the overtones of 1984 implied in the social manipulation of rewards. Skinner replies that we have always been manipulated, and never more so than now. True enough. But right here it is essential to recur to Adam Smith's idea of the "invisible hand." In his *Wealth of Nations,* that classic defense of the free market, limited government, and private property, Smith demonstrates that it makes all the difference whether control is exercised arbitrarily by some ruler at the top or some junta—and every government is effectively managed by a ruling clique—or whether the sanctions are integral to the economy, predictable, the working of natural supply and demand or the laws which flow from the nature of human affairs—the invisible hand.

Smith, a keen student of human society, has been admired by spirits as diverse as Robert Taft, Rudolf Rocker, Ayn Rand, Russell Kirk, Richard M. Weaver, and Erich Fromm (in his study of awareness, *Beyond the Chains of Illusion*). The millions are striving, unconsciously, to promote the public welfare. "Each man," says Smith, "is led by the invisible hand to promote an end that is not part of his intention."

Now it is true that Skinner wants reinforcers to be made integral to the ways of things in his new world: he speaks of "feedback loops" and "characteristic counter-responses." He likewise emphasizes the mutuality of responses, as with teacher and pupils in a classroom. He sees that social relations become chains and networks which extend out and out, like stones cast in a sea of spacious waters. Is this not really a religious insight? But the relationship of religion to the State is one of the most controversial problems we have to face. Theocracies, except the Tibetan, have been notably disastrous to liberty. I am inclined to think that any free society, qua society, will be secular, amoral, godless, and materialistic. Perhaps Jefferson, but not Washington, would have agreed with this.

Interesting is the brushoff Skinner gives to the Freudian absorption in the genesis of a patient's neurosis. It has sometimes seemed to me, likewise, that if I know the ways in which another will respond to various thoughts, acts, and situations, I know that person—even if I know nothing of his history. Skinner's attention to what a person *does* flows out of another valuable insight. He says we run away from the bear and *then* fear him. Concurrence and confluence, he claims, are descriptively more accurate than straight-line cause-effect.

One can feel only sorrow at Skinner's resurrection of the old Marxist hypothesis that environment accounts for everything. Predictably, its twin delusion marches along not far behind: that there is no such determinable entity as man, as such. I have elsewhere dealt with this Marxist and Deweyesque fantasy of plastic man. Surely man is influenced by his environment, but history, literature, philosophy, and experience alike show that we can make certain predictions about man. At this point, we are becoming increasingly aware of what man is and what he is not. These perceptions are more than a bodiless and insubstantial bubble. Human nature is a datum. Briefly, as Democritus put it, in opposition to Plato, "Man is that which we all know."

Skinner flies full in the face of most current findings in psychology and psychiatry when he denies that aggression is an indefeasible trait, built into us by our animal heritage. Again, man is an innately lazy creature. This Skinner denies. Nevertheless, it is a datum. Systems analysts all recognize it. A person balances the costs of the effort to himself against its expected returns. Workers on piece rates will produce 25 to 30 percent more than they would produce if they were paid a flat, hourly rate. Experienced workers learn how to slow down while appearing to work with maximum effort. If need be, the worker finds ways to damage the machine to prove that the speed demanded is excessive. If another person seems to be getting more than we for similar investments of energy, we complain or reduce the level of our investments. We produce less, give less attention to quality, and so on.

Skinner passes over in silence the central question of what kind, or rather kinds, of human beings are desirable.

Plato fathered the first blueprint of a society based on the illusion that man is a plastic reflex of his external circumstances. His descendants, including Lenin and various Christian idealists, still clasp us in their sticky embrace as they rifle our freedom.

I wish Skinner had somewhere shown a smidgen of appreciation for the power of one person to inspire another, particularly a young person. Indeed he manifests no perception of the influence of example that is exercised, largely unwittingly, by one human being upon others. It may even be suggested that only as individuals can we call forth the "divine spark" in others. In conspicuous instances this molecular force, passing unseen from a great individual, or even a person quite unknown to fame, leavens life and raises

it to the heights.

When we voluntarily betake ourselves to another to empathize with him and his life style, to profit from his wisdom, is it not a far better thing than all these "controls" and "shapings"? What sort of cloistered life has this theorist led—and most professors, as Professor Pasquale Villari observes in his volume on Machiavelli, are quite simple people—or what has he seen, or rather not seen, that he can write, "If we are content merely to 'influence' people, we shall not get far"?

How would Skinner explain the Renaissance or the galaxy of our Founding Fathers? The virtual sloughing off of the concept of innerdirectedness and, in effect, of personal responsibility, is reminiscent of the comment made by several "social workers" about hoodlums who beat up passengers and broke windows in the New York subway. You couldn't blame them, they said, for they were "culturally deprived." It is a vogue of our time to claim that all moral nomenclature is fradulent. There are no lazy people—only people who are "not work-oriented." We even have the preponderant opinion of "experts" that alcoholism is nothing but a disease. Why, then, isn't there a Diabetics Anonymous?

One can feel only sorrow at Skinner's resurrection of the old Marxist hypothesis that environment accounts for everything.

It is not important whether "experiments show that all man's behavior is shaped deterministically by reinforcements from his environment from the time he was born." "Experiments" or not, it is a half-truth. It is an old objection, which no one has overcome, to point out that if the determinists' thesis is correct, then it is ipso facto meaningless, because they *had* to make it!

Granted, even the greatest men have been and are mired in some respect (however small) in the errors and misconceptions of their age. But the more important truth is that they are likewise in reaction against their time. (And, to an extent that can't be determined by "experiments," against themselves.) There you have the one unbeatable argument against granting government subsidies to writers. There is no great literature under dictatorships—except as vibrant integrity achieves greatness in repudiation of the establishment, as with Livy, Tacitus, Tolstoy, Dostoevski, Pushkin, Kafka, Pasternak, Kaiser, Brecht, Solzhenitsyn.

An unexamined premise underlies part of the Skinnerian analysis. He assumes that "survival and maintenance" of a culture is of the first importance. It seems to be implied, further, that survival is a criterion of excellence in judging a culture. Yet is it not true that some civilizations (maybe all, when they have been too long "supersensate") deserve to die? And die they do. Egyptian civilization survived four millennia, but more thanks to geography than to anything innately precious within it, I think.

Alex Comfort, in his thought-provoking novel *The Power House,* proposes three elements of a secular ethic: humane dealing, integrity, survival. But this pertains to individual human beings. The one thing we must *never* do is transpose the individual's values, however respectable, to group relationships, to collectives, to abstracts. That is the prime booby-trap in the mind-set of the political "liberal" and the Christian social idealist.

The only mistake Albert Einstein ever made—to my knowledge—was to assert that "common sense" is merely an amalgam of cultural conditioning. Rather, it is an inborn sense of proportion, an observation of the ways of things, touched even with tenderness, which some people in the same culture possess and others (almost) do not. Of course, we can readily perceive the genesis of Einstein's error. It must have been because "common sense," initially, was urged against his seminally new ideas.

But while we gladly forgive the great man his one mistake, the gorge rises, if one has any blood in one's veins, to read a passage such as this by Skinner: "The controlling self (the conscience or super-ego) is of social origin but the controlled self is more likely to be the product of genetic susceptibilities to reinforcement . . . ." Thus with one grand sweep of the arm he tosses out the window every humane and troubled spirit from Amos, Isaiah, Jeremiah, Krishna, and Jesus, to Luther, Fox, Kierkegaard, Emerson, Tolstoy, Gandhi, and Martin Luther King.

Nice work if you can get it, and you can at Harvard. Such a piddling view about the conscience of man—that point where mind meets heart—is worthy of a television comedian and reminds one of a definition by Elinor Rose, the humor columnist: "Conscience is the sneaking suspicion that somebody may be watching."

Skinner's piddling view of the conscience of man — that point where mind meets heart — is worthy of a television comedian.

People, however, including philosophers, are remarkably uneven. A person with an admirable grasp in one context of affairs is a child in another. Skinner's scoffing at conscience—a cliche current among high intellectuals—does not preclude genuine contributions where illumination has occurred.

One wishes he had been more specific about the *application* of his general principle. It's there the trouble always comes. It's when you go to apply a good idea that its ambiguities or even vacuities show up.

To take one example, Skinner writes:

> The thing to do is simply to "convert" long-range or large scale advantages or reinforcements; R^{+}_{S} or R^{-}_{L} or R^{-}_{S}, that will tend to immediately encourage or suppress behavior with long-run positive or negative payoffs."

Well, here is a sample problem. Should the terminal cancer patient be told? Medical authorities disagree. To tell may shorten the patient's life. Not to tell may occasion untold hardship to the survivors. In practice, probably the majority of physicians do not tell, leaving the decision to relatives. Those who have weighed the question most carefully seem to believe there is no general answer. It depends on the patient and the circumstances.

Here is a genuinely nitty-gritty problem, and Skinner has no help to offer, even theoretically. Is he saying that the large-scale advantage, truthfulness in society, should be converted into a short-term reinforcer, telling the patient? Or is the short-term reinforcer of tenderness, to implement the anal-

ogous long-term value, to prevail? In that case we do not tell the patient.

Like the old-time socialists, Skinner wants to build a world where it is easier to be good. His vision of autonomous rewards, built-in reinforcements for desirable actions, is humanely appealing. Experimentally, in small groups, it ought to be tried, and is being tried in certain youth communes. Probably good parents and good teachers—and even some societies—have done something of this sort, stumblingly. Has not even finance capitalism, with the payment of interest on deposits, devised a "method of reinforcement for self-control?"

But every society arrives at moments of crisis. Then nothing but the heroic virtues will save it. The hero rises. He proclaims the needful remedy, and that is seldom one which the people, having been misled, desire to take. He reaps a harvest of scorn and ridicule. The community will never, as

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Skinner imagines, offer him reinforcers of praise and reward. This is the sheerest moonshine. The community will call him an ass, a traitor, an enemy of the human race.

Isaiah was sawn asunder. Jeremiah was cast into a well. Aristides the Just was exiled. The noble Phocion was spat upon and reviled as he was led through the streets of democratic Athens to be hanged. Cato committed suicide. Thrasea, Seneca, and Helvidius were put to death. Joan of Arc, Bruno, and Servetus were burned at the stake. James Naylor was beheaded. Thomas Paine and Charles Lindbergh were mocked, slandered, and forgotten. Douglas MacArthur was cashiered and brought home in disgrace. Senators Burton K. Wheeler of Montana, Gerald K. Nye of North Dakota, Rush Holt of West Virginia, Wayne Morse of Oregon, and Ernest Gruening of Alaska were sprung out of office by the same people whom they had tried valiantly to save from the horrors of war. Senator Kenneth Keating of New York was a voice crying in the wilderness which told us what we did not want to hear: that there were Russian missile emplacements a few miles off our shore. He was defeated for reelection the next time he faced his constituents. Mankind always rewards its great benefactors with ostracism and a crown of thorns.

Skinner draws a fancy picture of "group self-control." But who will insist on ethical reward-reinforcers for Promethean virtue when the group is enthusiastically engaged in lynching the Promethean? Presumably an elitist cadre would continue to hold high the ideal even when prevented from administering the reinforcer reward. This might actually militate against a good society. Ideals that are not acted upon have the power to corrode. They spawn guilt (with its misplaced aggressiveness), cowering, rationalizations of evil.

Finally—although this is a matter of less moment—Skinner's optimistic brand of social psychology requires some healthy qualification. He makes a strenuous effort to equate "profitable" (expedient?) with "good." If "profitable" means, as it seems to, the "common good," then be it noted that this alleged right of the majority often in practice preempts and supplants precious and irreplaceable values that only a cultivated minority is capable of discerning, understanding, and cherishing. Not only does it erode diversity, it is counter-cultural in the deepest sense.

Skinner declares that the only power in the world that moves men to large efforts is the gap between what is and what might be. According to this proposition, the larger the anticipated improvement or advantage the more it is converted into personal reinforcement for action, for example, in saving, building dams, investing in factories and schools. Skinner states flatly that this principle explains all of economics.

Yet, this evaluation is completely unhistorical. The French Revolution came about not because the material condition of the masses was deteriorating while the king and the nobles remained completely blind to it. Alexis de Tocqueville, one of the most profound of social historians and a keen psychologist, gives exactly the opposite explanation. In his masterly volume, *L'Ancien Regime et la Revolution,* he points out that the lighter the yoke the more it seems insupportable. What exasperates is not the crushing burden, but the impediment. What impels revolt is not being oppressed but being humiliated.

The French of 1789 were incensed against the aristocrats because they were *almost* their equals: it's the slight difference that irks. It's not the depth of degradation that counts. Sunken and sodden and suppressed masses never mount a revolution. The 18th-century middle class in France and America was rich, in a position to fill *almost* any employment, *almost* as powerful as the nobility. It was inflamed by this *almost*. It was stimulated by the proximity of its goal. Impatience is always provoked by the proximity of the final strides.

Certain it is that we must, as Skinner proposes, develop practices that "bring remote consequences of behavior into play," whether that be in diet, procreation, or whatever. Such an advance would have a solid foundation from the feedbacks as positive rein-

Would it not be an inglorious thing to supplant "irrational" love with a premeditated system of organized expediency?

forcement practices grow up, for example, in a cheerful family, or in minuscule groups such as the old anarchists propounded. There can be no such person as Skinnner's "cultural designer" without the institution of a brittle and self-aggrandizing political elite.

Again on the positive side, we *do* need to perceive problems before they become acute. We do need to "make organisms more sensitive to the consequences of their action." We must not forget, however, that sensitive persons have always been aware of the gap between the ideal vision of themselves or their work and the objective results. No control mechanism had to be imposed on sculptor Alberto Giacometti to make him feel that, in his quest for perfection, he was starting his entire career over every morning. According to James Lord, his biographer, each work on which he was engaged was the one which he felt

would express for the very first time what he subjectively experienced in response to objective reality.

W. H. Auden said, "The poet marries the language, and out of his marriage the poem is born." Note the intimate feelings and intimate experiences of artists like Giacometti and Auden—and in our own ways we are all contributors to and practitioners of the art of living—and you see how hollow is the pretentious chatter about "adjusting" people, making them "happy." Intensity of experience and depth of encounter are of the essence, not only of the great life, but of the good life. How are these traits of personhood promoted by training out of people, by simple behavior modification techniques, all conflict and pain and grief and anxiety?

Normal people (as distinguished from neurotics), especially creative people, gladly pay life's price of tension or anxiety or diminished security in pursuit of what they hope to make of themselves or their work. They encounter risk and wrestle with consequences in their individual lives. The dawning awareness of social consequences of collective action in our day shows that a larger perspective in this activity is not beyond the initiative and imagination of free men.

Professor Skinner affirms that society cannot survive without diversity. So, he says, the "cultural designer" must plan for it. Alas, experience demonstrates that planners prefer uniformity: it is easier to manage and administer. Skinner deprecates the way nature plans diversification by chance. A large measure of that may be the price we pay for freedom, even for being human. Besides, it's more fun.

Probably Skinner's influence on the ecology movement is all to the good. In that realm, long-term goals are concurred in because they are obvious, and short-term expedients are being evolved and seen as practicable. Human relations, in contrast, are infinitely more complex, the goals more controversial, the paths to them uncertain. It remains to be seen how well the communes of young people who have voluntarily embraced Skinnerian methods will make out. Maybe—just *maybe*—those tiny mutual-support groups with their behavior-shaping techniques will fulfill that long-ago dream: a new society within the shell of the old. Such coteries of concern always possess a special sense of vocation and are not typical of society in general.

How many, down the ages, have been "called to be saints," experimented with some special vocation, and then flunked out because the price was too great? Dostoevsky, in *The Idiot,* describes in Myshkin the character of a person with a very particular sense of vocation. Myshkin does more than trust people; he opens himself to them all, allows himself to respond to each of them. Like Skinner's "cultural designer," he strives for true and ultimate knowlege of the world and extends himself to use that knowledge to make people happy. Myshkin's sensitivity to other people's experience and his attempts to alleviate their misery prove too much for him; he is overwhelmed and broken.

Maybe Myshkin should have been more cerebral, been tough, and operated on a firm theory of truth and consequences, like the managers of Skinner's hypothetical commonwealth. But would that not be an inglorious thing: to cabin and confine "irrational" love, to supplant it with a premeditated system of organized expediency? ◻

Now retired, Richard Crum taught history for many years at Lehigh University. He is the author of Philip of Macedon *and* The City-State, *as well as journal and magazine articles.*

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"PLANNING" OUR WAY TO SERFDOM

F.A. Hayek

It is a regrettable but undeniable fact that economics, more than other scientific disciplines, is liable to recurrent fashions and fads, the periodic reintrusion into professional discussion of popular superstitions which earlier generations of economists had successfully driven back into the circles of cranks and demagogues. Inflationism is one of these irrepressible themes which again and again attract some half-trained economists, and the advocacy of collectivist economic planning has become another since it first became popular under this name through its use by the Russian communists. The conception, originally developed by some of the organizers of the German war economy during World War I, was thoroughly discussed by economists in the 1920's and 1930's.

Nobody is of course bound to accept what seemed then the conclusions of those discussions, which were very favorable to central planning: in any scientific discipline the discovery of new facts or new considerations may lead to the revision of conclusions arrived at in the past. But what one must expect from a professional economist of recognized standing is that he not talk as if those past discussions had never taken place, and that he not use expressions in the ambiguous and misleading senses which had been painfully eliminated in the course of the earlier discussion.

It is in this respect that the pronouncements of Professor Wassily Leontief, recently of Harvard University, in the course of the reopened dabate on the subject are so bitterly disappointing. A senior economist of international reputation uses the term "planning" in all the ambiguity in which one would expect it to be used these days only by less responsible persons as a propaganda catchword. He simply disregards the essential, if perhaps provisional, conclusions that emerged first from the earlier discussion of central economic planning and then from the no less intensive dis-

cussion of "indicative planning" more recently. This is wholly inexcusable.

Although the statements with which I shall deal here have been issued mostly on behalf of an "Initiative Committee for National Economic Planning," it would seem that for the economic argument embodied in those statements Professor Leontief must bear the principal responsibility. He is the visible prime mover of the committee and he clearly is the economist among its spokesmen who has the most relevant background of professional work. His co-chairman, Mr. Leonard Woodcock, President of the United Auto Workers, is not, of course, a professional economist and has publicly acknowledged that he did not start to think seriously about economic planning on the part of government until the oil embargo. Indeed, some of the comments he has made rather suggest that he has not thought much about it even now.

The worst confusion by which the new American agitation for "planning" is permeated, not excluding the various statements by Professor Leontief himself, was most naively expressed in the first sentence of a lead editorial in the February 23, 1975, issue of the *New York Times*. It asked, "Why is planning considered a good thing for individuals and business but a bad thing for the national economy?"

It is almost unbelievable that at this date an honest seeker after truth should innocently become the victim of the equivocal use of the word planning and believe that the discussion about economic planning refers to the question of whether people should plan their affairs and not to the question of *who* should plan their affairs. In reply to this I can only repeat what more than 30 years ago I had, as I even then believed at unnecessary length, explained in a popular book.

> "Planning" owes its popularity largely to the fact that everybody desires, of course, that we should handle our common problems as rationally as possible and that, in so doing, we should use as much foresight as we can command. In this sense everybody who is not a complete fatalist is a planner, every political act is (or ought to be) an act of planning, and there can be differences only between good and bad, between wise and foresighted and foolish and shortsighted planning. An economist, whose whole task is the study of how men actually do and how they might plan their affairs, is the last person who could object to planning in this general sense. But it is not in this sense that our enthusiasts for a planned society now employ this term, nor merely in this sense that we must plan if we want the distribution of income or wealth to conform to some particular standard. According to the modern planners, and for their purposes, it is not sufficient to design the most rational permanent framework within which the various activities would be conducted by different persons according to their individual plans. This liberal plan, according to them, is no plan—and it is, indeed, not a plan designed to satisfy particular views about who should have what. What our planners demand is a central direction of all economic activity according to a single plan, laying down how the resources of society should be "consciously directed" to serve particular ends in a definite way.
>
> The dispute between the modern planners and their opponents is, therefore, *not* a dispute on whether we ought to choose intelligently between the various possible organizations of society; it is not a dispute on whether we ought to employ foresight and systematic thinking in planning our common affairs. It is a dispute about what is the best way of so doing. The question is whether for this purpose it is better that the holder of coercive power should confine himself in general to creating conditions under which the knowledge and initiative of individuals are given the best scope so that *they* can plan most successfully; or whether a rational utilization of our resources requires *central* direction and organization of all our activities according to some consciously constructed "blueprint." [*The Road to Serfdom*, University of Chicago Press, pp. 34ff.]

I should, perhaps, explain that this was written in a book concerned with the moral and political consequences of economic planning, written ten years after the great discussion of the question of its economic efficiency or inefficiency to which I shall now have to turn. And I might, perhaps, also add that J. A. Schumpeter then accused me with respect to that book of "politeness to a fault" because I "hardly ever attributed to opponents anything beyond intellectual error." I mention this as an apology in case that, on encountering the same empty phrases more than 30 years later, I should not be able to command quite the same patience and forbearance.

For the manager of an individual firm, that halfway house between a completely planned system and a free market would be the worst of all possible worlds.

The great debate of the 1920's and 1930's turned mainly on the question of the justification of the socialist hopes of increasing productivity by substituting central planning for marketplace competition as the instrument for guiding economic activity. I don't think it can now be gainsaid by anybody who has studied these discussions that those hopes were shattered and that it came to be recognized that an attempt at centralized collectivist planning of a large economic system was, on the contrary, bound greatly to decrease productivity. Even the communist countries have to various degrees felt compelled to reintroduce competition in order to provide both incentives and a set of meaningful prices to guide resource use. We can deal with those older ideals of centralized planning fairly briefly, then, since even the proponents of the schemes under discussion today disclaim that they aim at a system of planning of the kind in which a central authority commands what the individual enterprise is to do—although it must remain doubtful whether what they aim at can be achieved without this sort of regimentation.

The chief reason why we cannot hope by central direction to achieve anything like the efficiency in the use of resources which the market makes possible is that the economic order of any large society rests on a utilization of the knowledge of particular circumstances widely dispersed among thousands or millions of individuals. Of course, there always are many facts which the individual conductor of a business ought to know in order to be able to make the right decisions but which he can never know directly. There are two possible alternatives for coping with these difficulties: either

conveying to a central directing authority all the relevant information possessed by the different individuals, or communicating to the separate individuals as much as possible of the information relevant for their decisions. And we have discovered a solution for the second task only: the market and the competitive determination of prices have provided a procedure by which it is possible to convey to the individual managers of productive units as much information in condensed form as they need in order to fit their plans into the order of the rest of the system. The alternative is clearly impossible—simply because all the individual managers of businesses never can know beforehand which of the many concrete circumstances about which they have knowledge or could find out might be of importance to the central planning authority.

We have come to understand that the market and the price mechanism provide in this sense a sort of discovery procedure which both makes possible the utilization of more facts than does any other known system and provides the incentive for constant discovery of new facts, improving adaptation to the ever-changing circumstances of the world in which we live. Of course this adaptation is never as perfect as the mathematical models of market equilibrium suggest, but it is certainly much better than any which we know how to bring about by any other means. I believe there is substantive agreement on these points among serious students of these matters.

The argument for centralized planning from the complexity of modern economies turns out to be particularly silly.

But, curiously, one begins to hear more and more frequently a new argument, which inverts the historical role that the market and the price mechanism have played in maximizing order and efficiency in individual economies and in the world economy at large. It is contended that the market may have been an adequate mechanism of coordination under earlier, simpler conditions, but that in modern times economic systems have become so complex that we no longer can rely on the spontaneous forces of the market for the ordering of economic priorities. We must resort instead to central planning or direction. Such an argument carries some superficial plausibility, but, on examination, turns out to be particularly silly. In fact, of course, the very complexity of the structure of modern economic systems makes it progressively less and less imaginable that any one mind or planning authority could picture or survey the millions of connections between the ever more numerous interlocking separate activities which have become indispensable for the efficient use of modern technology and even the maintenance of the standard of life Western man has achieved.

The market system functions because it is able to take account of millions of separate facts and desires, because it reaches with thousands of sensitive feelers into every nook and cranny of the economic world and feeds back the information acquired in coded form to a "public information board." What the marketplace and its prices give most particularly is a continuing updating of the ever-changing relative scarcities of different commodities and services. In other words, the complexity of the structure required to produce the real income we are now able to provide for the masses of the Western world—which exceeds anything we can survey or picture in detail—could develop *only* because we did *not* attempt to plan it or subject it to any central direction, but left it to be guided by a spontaneous ordering mechanism, or a self-generating order, as modern cybernetics calls it.

Apart from such occasional flareups of old misunderstandings in lay circles, the efficiency argument for central economic planning has almost universally been abandoned. If central direction of all economic activity is still sometimes demanded by serious students, this is on the different and logical argument that only in this manner could the distribution of income and wealth between individuals and groups be made to conform to some preconceived moral standard. Apparently a good many idealist socialists would be prepared to tolerate a substantial sacrifice of material welfare if thereby what they regard as greater distributive or social justice could be achieved.

The objections to this demand for greater social justice, of course, must be and are of an entirely different character from those against the presumed greater efficiency of a planned system. There are two different fundamental objections to these demands, each of which seems to me to be decisive. The first is that no agreement exists (or appears even conceivable) about the kind of distribution that is desirable or morally demanded. The second is that whatever particular distributive scheme were to be aimed at could in fact be realized only in a strictly totalitarian order in which individuals would not be allowed to use their own knowledge for their own purposes but would have to work under orders on jobs assigned to them for purposes determined by government authority.

Freedom in the choice of activity as we know it is possible only if the reward to be expected from any job undertaken corresponds to the value the products will have to those fellow men to whom they actually are supplied. But this value often will unavoidably bear no relation whatever to the deserts, needs, or other claims of the producer. The belief in a society in which the remuneration of individuals is made to correspond to something called social justice is a chimera which is threatening to seduce modern democracy to accept a system that would involve a disastrous loss of personal freedom. George Orwell and others ought by now to have taught even the layman what to expect from a system of such kind.

The market system functions because it reaches with thousands of sensitive feelers into every nook and cranny of the economic world.

The new American advocates of planning will claim, however, that they know all this and that they never have advocated a system of central direction of individual economic activities and even have said so. Yet is is very doubtful whether what they do advocate would not in fact lead that way. They leave a great deal obscure, and it is precisely this state of muddle which is the sure way to hell. To be sure, the statement of the Initiative Committee for National Economic Planning (*The*

Case for Planning) says: "It should be clear that the planning Office would not set specific goals for General Motors, General Electric, General Foods, or any other individual firm. But it would indicate the number of cars, the number of generators, and the quantity of frozen foods we are likely to require in, say, five years, and it would try to induce the relevant industries to act accordingly." But one cannot help wondering how that "inducement" of an "industry" would work if, as the Initiative Committee's statement at another point makes clear, the "means of influencing" the decisions of industry would include "selective credit controls, guidance of basic capital flows, limits to the use of air, water and land, and *mandatory resource allocation* [italics added]."

Indeed, as one reads on, it becomes increasingly difficult to find out what precisely the authors of the statement mean by National Economic Planning. Nor, in spite of its magniloquent language, is the text of the proposed Balanced Growth and Economic Planning Act of 1975, inspired by the committee and introduced in the Senate by Senators Humphrey, Jackson, Javits, McGovern and others, in this respect more revealing. While the bill is loquacious on the organization of a proposed Economic Planning Board, it is remarkably reticent on the methods and powers by which this body is to secure the execution of the "balanced economic growth plan" which it is to draw up.

Advocates of planning leave a great deal obscure, and it is precisely this state of muddle which is the sure way to hell.

Underlying some of these arguments for central economic planning appears to be the curious conception that it would be an advantage, enhancing orderliness and predictability, if the gross outline, a sort of skeleton, of the future distribution of resources between industries and firms could be laid down for a fairly long period. But the exact opposite would be the result of such planning: the uncertainty for managers would be greatly increased, since the opportunity they would have to adapt to changes in their immediate environments (i.e., the quantities they would have to buy or sell and the prices at which they could do so) would depend on the "mandatory resource allocation," the "guidance of basic capital flows," etc., of the government planning office. For the manager of an individual firm, that halfway house between a completely planned system and a free market would indeed be the worst of all possible worlds, since his ability to make changes would become critically dependent on the red tape, delay, and unpredictability that are characteristic of bureaucratic decisions.

Implied in the argument for government planning of industrial and commercial activity is the belief that government (with an appropriately increased bureaucracy, of course) would be in a better position to predict the future needs of consumer goods, materials, and productive equipment than are the individual firms. But is it really seriously contended that some government office (or, worse, some politically sensitive plan-making committee) would be more likely to foresee correctly the effects of future changes in tastes, the success of some new device or other technical innovation, changes in the scarcity of different raw materials, etc., on the amounts of some commodity that ought to be produced some years hence, than the producers or professional dealers of those things? Would it even be desirable that various companies in an industry all act on the same guess? Is it not the very rationale of the method of competition that we allow those who have shown the greatest skill in forecasting to make preparations for the future?

In some sections of the statements made by the new advocates of "planning" it becomes clear, however, that they are thinking mainly of another kind of planning, one which also has been thoroughly examined in the past in a discussion of which its present protagonists show as little awareness as of any other of the earlier scientific examinations of the problem. The earlier extensive discussion of these problems, from which the American proponents of that other sort of planning ought to have profited, took place chiefly in France in the early 1960's under the heading of "indicative planning." This conception had for a short while attracted much attention, until it was decently buried after a thorough discussion at the Congress of French Speaking Economists in 1964 had revealed all the confusion and contradictions involved in it. There is no excuse whatever for ignorance of the upshot of these discussions, which are clearly expounded in an excellent book in English by Dr. Vera Lutz.

The whole idea of "indicative planning," it turned out, rests on a curious combination, or rather confusion, of actions—making a prediction and setting a target. It was conceived that somehow a forecast of the quantities of the different commodities and services that will be produced would assist in determining the respective quantities which ought to be produced. The plan is conceived as a forecast by government at the achievement of which industry is to aim.

This sort of self-fulfilling prophecy may at first appear plausible, but on reflection it turns out, at least so far as a market economy based on competition is concerned, to be an absurdity. There is absolutely no reason at all to assume that announcement of a target will make it likely that the aggregates of output named in it will actually be realized by the efforts of a number of producers acting in competition. Nor is there any reason to think that the government, or anybody else, is in a better position than are individual managers acting as they now do to determine beforehand appropriate quantities of different outputs of different industries so that supplies and demands will match.

One cannot help feeling sometimes that the new American advocates of planning have become the innocent dupes of some aspiring cartelists.

It is at this point that it becomes clear that the present revival of the planning idea in the United States is inspired by the input-output representations developed by Professor Leontief and rests entirely, I am sorry to say, on a colossal overestimation by its author of what this technique can achieve.

Professor Leontief's input-output tables show in an instructive manner, how, during some period in the past, various quantities of the products of

different main branches of productive activity were used up by other branches. How the production of the tens of thousands of different things which are needed to produce a much smaller but still very large number of final products is determined by the market process is a matter of infinite complexity; and how order is brought about by a spontaneous mechanism which we do not fully understand is best illustrated by the very fact that we needed a Professor Leontief to give us even a very rough outline of the gross categories of commodities that in the past have passed from certain main groups of industries to others. One can understand that Professor Leontief wishes to refine and extend that technique and to construct input-output tables not for a few dozen but for a few thousand main classes of products. But the idea that such broad-outline information about what has happened in the past should be of significant help in deciding what ought to happen in the future is absurd. Even if we could get and organize the information, it would tell us about just one of an infinite number of possible input combinations that could produce a particular array of final products. It would tell us nothing at all about whether that specific combination of inputs or any other combination would be economical under changed conditions.

The source of belief in the value of input-output representations is the wholly wrong idea that the efficient use of resources is determined mainly by technological and not by economic considerations. That belief is evident in the fact that the advocates of planning visualize a team of a few hundred technical experts—most of them scientists and engineers rather than economists—working on planning for either the White House or Congress. (*New York Times,* February 28, 1975, "Diverse Group Advocates Economic Planning for U.S.")

This, I am afraid, betrays a complete lack of understanding of how in the complex order of a great society the efficient use of resources can alone be determined. There is no need, to take a very simple example, for a particular quantity of a particular raw material in order to make a particular quantity of tarpaulins. In a situation in which the buyers of tarpaulins are indifferent to the raw material from which they are made, output can be maximized by choosing among hemp, flax, jute, cotton, nylon, etc., that material which costs least—that is, that which we can obtain for this purpose at the least sacrifice of other desirable products. There is, therefore, without a knowledge of prices, no possibility for determining from statistics of the past how much of different materials will be wanted in the future. And statistics of the past help us little to predict what prices will be and therefore what quantities will be needed of different commodities.

Even if it were possible, however, to say beforehand for every kind of commodity (or variety of a commodity) how much of it ought to be produced some years hence, it is difficult to see how this should lead the individual enterprises to produce just those amounts which together correspond to a desired quota—except, indeed, on the assumption that it is desired that the different firms should conspire together to produce an output of a certain size (presumably that must be profitable to them). This, in fact, is the ideal which clearly guided the French advocates of "indicative planning." And one cannot help feeling sometimes that the new American advocates of planning have become the innocent dupes of some aspiring cartelists.

The whole idea of "guiding" private industry by announcing beforehand what quantities of different goods firms ought to produce over a long period of the future is a muddle from beginning to end, wholly ineffective and misleading if left without sanctions constraining industry to do what it is predicted that it will do, destructive of the competitive market and free enterprise, and leading by its inherent logic straight to a socialist system.

There is, however, yet another undercurrent discernible in the present demands for planning which indeed expresses a very legitimate dissatisfaction with prominent features of our economic life. The current agitation in the United States for a broad new planning initiative explicitly includes, in most of its variants an indictment of government for its failure to think out its policies for the longer future. The hope is for government to plan its own activities ahead for long periods, announce and commit itself to the execution of these plans, and thereby make government action more predictable. But the legitimacy of that indictment is not a justification for the demand that the same government which so notoriously fails to plan its own affairs should be entrusted with the planning of business.

The Balanced Growth and Economic Planning Act of 1975—popularly known after its chief sponsors as the Humphrey-Javits bill has now been laid to rest. But its sponsors and advocates have united behind an even worse bill, the Humphrey-Hawkins bill.

It is difficult for an outsider to understand how, after introducing so ill-considered and irresponsible a piece of legislation—which promised merely an empty machinery with no stated purpose, which would perhaps give us input-output tables for a few hundred commodities that will be of no conceivable use to anybody except some future economic historian, but which may incidentally be used to enforce the disclosure of various sorts of information that would be exceedingly useful to a future authoritarian government—Senator Humphrey should be able to boast that it is his "single most important piece of legislation" (*Challenge,* March-April 1975, p. 21).

Somebody as innocent of American politics as this writer might suspect that the Senator from Minnesota is the unwitting tool of some other, presumably collectivist, wire-pullers who want to use the machinery thus created for aims they prefer not to disclose. But when one rereads the accounts of how the campaign for national planning has evolved in the articles of the editor of the magazine *Challenge,* whose hand one seems to recognize also in several of the other statements supporting the plan, one feels reassured that nothing more sinister than sheer intellectual muddle is at work. ☐

F. A. Hayek shared the 1974 Nobel Prize in Economics with Gunnar Myrdal. He has written widely on economic and political topics for both professional and popular audiences. REASON interviewed him in its February 1975 issue. This article is adapted from Hayek's "The New Confusion about 'Planning' " printed in the Morgan Guarantee Survey, *published by the Morgan Guarantee Trust Company of New York.*

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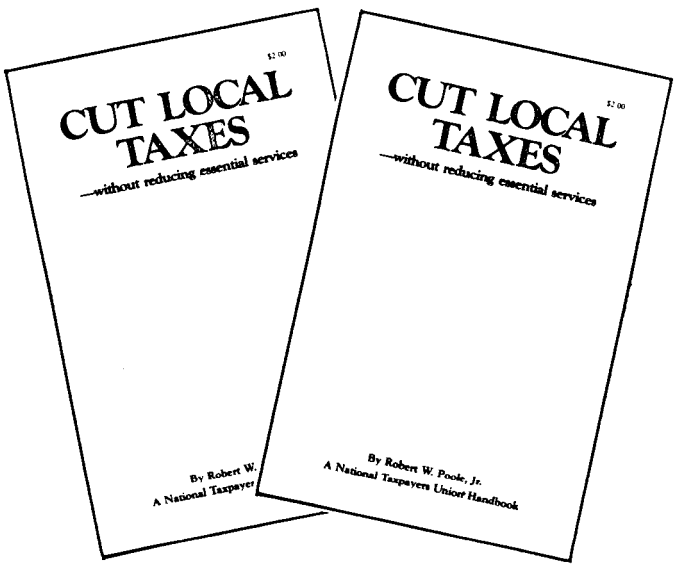
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ON TORY BLIND SPOTS.

Ralph Raico

Several months ago [REASON, August 1976], there appeared in these pages a debate between Arthur Shenfield and David Friedman on the interesting question of abolition of the State. Welcome in itself, it happens also to provide occasion, I think, for briefly examining a few points of importance in distinguishing libertarians from conservatives like Mr. Shenfield. This occurs because Shenfield, in the course of his analysis, permits himself some scathing remarks on the old communist anarchists—comments which, first of all, as a matter of justice ought not to go unchallenged, and second, are deeply revealing of the distorted perspectives of the "conservative mind."

Naturally, it is no news that, as Shenfield tells us, writers like Bakunin, Kropotkin, and Proudhon were usually confused and downright ignorant about economic science (but not demonstrably more so than many conservatives, such as Cardinal Newman, who once termed the study of political economy a "proximate occasion for sin"). On the other hand, however, their sociological analyses were often brilliant. There is, for instance, Proudhon's distinction within "the" bourgeoisie between the segment that lives from its own efforts on the market and the segment that lives from its close alliance with government. And there is Bakunin's prophecy, crowning his pioneering attacks on Marxism, that there will arise a "new class" of intellectuals, managers, and bureaucratic parasites of all kinds who will inherit the earth, come the Marxist Revolution—the starting point for all "New Class" interpretations of Marxist revolutionary movements and regimes as well as (which is often forgotten, although Bakunin intended it) of *all* social-democratic, State-socialist regimes. Nonetheless, it is true that these early anarchists—and their current successors, such as Murray Bookchin— as a rule were childishly wrong concerning economic principles. Does that justify Shenfield's strictures against them, though?

Shenfield sets his attack on the older anarchists in the framework of an onslaught on "utopianism"—that dream, as he puts it, of "a perfect world in which all men love each other and in which Adam's problems after the expulsion from Eden melt away." Such dreams Shenfield characterizes as "the effluvia of sick minds"—a bit strong I would say, for what would we then have to call all the apologias for slavery, monarchy, nationalism, imperialism, and the dog-like adoration of tradition that fill the history of political thought? But let that pass for the moment—so long as Shenfield is prepared to extend his "sick minds" interpretation to the *origin* of utopianism in the Christian idea of the Millenium and specifically the prophecies of the Book of Revelation, which speaks of a new world, "where God will wipe away every tear," one which will be, well, utopianly perfect. Typically, Tory writers like Shenfield do not mean to include *that* in their blistering, ironic condemnations of "utopianism." The line rather is that it was somehow fine to anticipate a perfect *supernatural* order; the fatal flaw lay in trying to bring that perfect order down to earth, and to make it a reality by natural revolutionary means. Just why the idle fantasy is assumed to be preferable to the practical effort is never made clear.

Is it "sick" to be "utopian"? The use of a term such as "sick" in a political context in a post-Szaszian age is, to say the least, naive; so let us translate it in this fashion: Is it perverse, or wicked, or very silly to be "utopian"? Well, it all depends on how rigorously one wants to understand the term "a perfect world." The idea of a Garden of Eden world obviously is silly and probably does not even make sense.

But surely the world could be made *much, much* better than we have known it. What reason have we to doubt that human life *could* be made enormously richer in satisfaction, accomplishment, beauty, and dignity than men and women have ever experienced? The 19th century, after all, was a period of great progress in virtually every respect. If things go right, and if somehow we could get a glimpse of mankind a thousand, or five thousand (or a million?) years from now, might not we who live in the 20th century say, "Yes, this has to be a perfect world—this *is* utopia." What exactly are the limits drawn by nature to a progressive evolution whose one indispensable condition, as Humboldt wrote, is freedom?

Shenfield goes on to allow himself some superficial and offensive comments on the old anarchists for which he must definitely be called to account. "Some" of them were fools, he tells us, but "many" were of "profoundly evil propensities" and given to "mindless violence." One is reminded of Lenin's response when the French and British ambassadors protested some Bolshevik atrocities: "And this complaint comes from the gentlemen who have just sent 13,000,000 men to their deaths!" If *Nicola Sacco* is to be referred to as "profoundly evil" what words will be left to describe, say, the Romanovs, who for centuries lived according to the belief that the peoples of Russia came and went in generations whose only meaning was to die in extending the Imperial domains to the ends of the earth? Or Leopold II of Belgium, who turned the Congo into one vast slave plantation? Or all the imperialist generals, admirals, and lying, murdering politicos whose monuments litter the cities of England—for instance, Sir Winston Churchill?

Here I think we have the nub of the difference between conservatives and libertarians that I mentioned earlier. Tory writers such as Shenfield speak as if the State and the sickening violence and degradation it has caused since its inception were somehow *a datum of the Cosmos.* Our attention, they feel, should never be excited by this massive, systematic, and institutionalized violence. Instead, it is the occasional wasting of a Tsar, or chief of the secret police, or American President, that should set us to fearing and trembling. (In this spirit, Shenfield berates Murray Rothbard for allying himself during the Viet Nam war with "certain elements of the New Left" and for not overly disapproving of "the violence *of the anti-war demonstrators.*") But on this the old anarchists saw more clearly than all but a very few; and it is from them, and not from the Tories with their incredibly conventional blinders, that libertarians should learn.

Finally, there is the astonishing personal attack on the "hateful" Tolstoy for "hating and terrorizing all around him." Here the strange vindictiveness of Shenfield's treatment of the old anarchists is fully unmasked. For what could be more humanly comprehensible—although, of course, regrettable—than that a creative genius of world-historical proportions should feel a certain resentment and rage at the lack of understanding in his milieu, at the petty vexations daily imposed on him (as he sees it) by utterly mediocre minds? Really, this is too foolish, having to defend *Tolstoy* in this way, but . . . if Shenfield wants to see how the same situation could occur with a man who happened *not* to be an anarchist (but only a classical liberal), he might pick up a biography of Beethoven. ◻

Ralph Raico teaches intellectual history at the State University of New York College at Buffalo.

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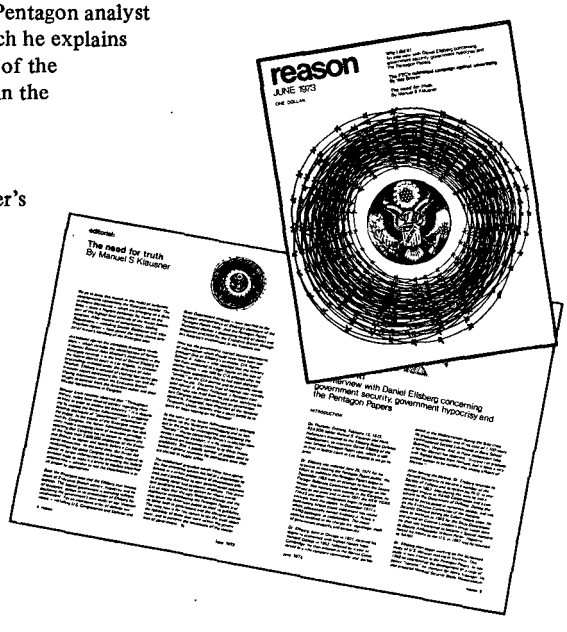

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JUSTIFYING INJUSTICE

M.T. Owens

To render to each what is rightfully his—this, philosophers have held, is the objective of justice. All Western legal codes are based on this precept. Even Marx, in his discussion of what is just, relied on the principle of *suum cuique* ("to each his own"). Conflicts between systems of justice have never resulted from a denial of this principle, but from differences over "what" belongs to "whom."

All this changed with John Rawls. He has become the first serious philosopher to challenge this view. In *A Theory of Justice* (1971) he argues that a society is just only to the degree that it attempts to redress *inequality.* The equality that Rawls strives for is not equality before the law or even equality of opportunity. Instead, it is the "equality" that is easily perverted, used to justify the imposition of uniformity and conformity by coercive means. This is the "equality" that prevents the expression of personal preferences and undermines individual privacy, responsibility, and self-determination. The generally warm reception *A Theory of Justice* has received is indicative of how great a role this perversion of "equality" plays in modern political thought.

Libertarians have leveled several telling critiques at Rawls. (The most important has been Robert Nozick's *Anarchy, State, and Utopia.* Indeed, his success has assured a respectful hearing for libertarianism in many circles. Other discussions of Rawls include John Hospers's review in the December 1973 *Freeman* and Ayn Rand's treatment of the effects of Rawls's concept of justice, "An Untitled Letter," in volume 2, numbers 9–11, of the *Ayn Rand Letter.*) But the threat that Rawls poses to a free society is revealed by the fact that much of the criticism has come from the political left. Philosophers such as Robert Paul Wolff and Brian Barry have taken Rawls to task for not going *far enough* toward egalitarianism. Their contention: his schema calls for a much greater degree of coerced "equality" than Rawls himself would allow. The great danger with *A Theory of Justice* is that, in the hands of others, it could nurture a society even Rawls does not forsee.

For Rawls, the political theory badly in need of replacement is utilitarianism. He objects, as have many other philosophers, that its injunction to bring about justice by bringing about the greatest good or well-being for the greatest number is an *unprincipled* approach—for example, it would allow for capriciously imprisoning ten people if that would engender a net benefit to society. (At this stage, it is not important how overall benefit is to be tallied up.) What, then offers a principled alternative? Rawls, again in line with a philosophical tradition, turns to a social-contract theory of justice. Here, following Kant's lead, Rawls promulgates the idea that political obligations are derived from a hypothetical contract among the members of society. But how does Rawls get from the general notion of a social contract to his linking of justice and equality?

There are certain principles of justice that Rawls contends "rational individuals" would agree to as a basis for a social contract. To develop this idea he resorts to a philosophical contrivance he calls the original position, roughly analogous to the "state of nature" in older contractarian theories. The "original position," he emphasizes, is purely hypothetical. In it, the rational actors do not know any specific facts about themselves—whether they are rich or poor, intelligent or dull, ambitious or passive. They do, however, possess general economic and political understanding, and they know that they would desire certain "primary goods" such as rights and liberties, income and wealth, and the basis of self-respect. But they lack *specific* knowledge of their *particular* roles in society. In the extreme case, they do not know the stage of economic development of their society or even the generation to which they belong. Rawls has a catchy phrase for all of this—the "veil of ignorance."

If Rawls's proposed government sounds coercive, remember that he has begged the question by assuming agreement on his two principles of justice.

After so setting the stage, he argues that behind this veil certain principles of justice would be unanimously accepted by all participants in the original position. Rawls denies that these principles are "necessary truths" or "self-evident" in any way. Why resort to self-evidence? His principles of justice, he says, would emerge purely through logical deduction.

So Rawls has his rational actors deducing two principles from the original position: first, each person is to have the maximum possible liberty compatible with a similar liberty for all; second, social and economic inequalities are to be permitted only to the extent that they are to everyone's advantage. And now we've arrived where Rawls was driving us. From this general formulation Rawls derives the "difference principle," which states that advances of the better situated are just *only* if they improve the position of the "least advantaged members of society."

Rawls goes on to generate a priority principle that requires the first principle of justice to take precedence over the second should the two come into conflict. The priority principle prohibits trading basic liberties in exchange for economic and social gains. Notice Rawls on the defensive here in his battle with utilitarians. This priority principle would presumably prevent a person from selling himself into servitude, for example.

The two principles of justice, logically deduced by the rational actors in the original position, make up the core of Rawls's theory. Much of the book is taken up with restatements and refinements of this basic theme. (Indeed, a difficulty one encounters when reading *A Theory of Justice* is determining whether the author is stating the same argument again in a slightly different form or stating a slightly different idea altogether.)

With the basic principles agreed upon, says Rawls, the rational actors would move to the "constitutional convention," where the veil of ignorance is partially lifted. Here they draw up a constitution implementing the principles of justice developed in the original position. What would the government designed by this constitutional convention be like? Massively bureaucratic and potentially coercive, although Rawls does not so describe it.

The political and legal institutions created by the constitution would be aimed at securing "the liberties of equal citizenship, such as liberty of conscience and freedom of thought." In addition, the government would insure equal opportunity in education and employment and would provide a "social minimum." Rawls prescribes branches of government. The "allocation branch" would keep the price system competitive and prevent the formation of concentrated market power. The "stabilization branch" would strive for reasonably full em-

ployment—*those who wanted work* could find it, and the free choice of occupation and the deployment of finance would be supported by strong effective demand. Meting out the social minimum would be up to the "transfer branch." Justice in "distributive shares," that is, taxation and "adjustments" in the rights of property, would fall to the "distribution branch." If this government sounds coercive, remember that Rawls has begged the question by assuming that these institutions would arise out of agreement on his two principles of justice. *Volenti non fit injuria*—there can be no injury to the parties who agree to the contract.

It is obvious that any set of principles that leads to such a system does not constitute a theory of justice, but a theory of justification for aggression. Rawls has won, hands down, against utilitarianism. But what an empty victory! He has substituted a system every bit as unacceptable. Where did Rawls go wrong? At what points in his argument can we drive a wedge, preventing him from arriving at such unpalatable conclusions?

What about that "original position?" Rawls maintains that *his* two principles of justice would emerge from it, that other approaches to justice would be rejected. This is true only if his premises are on target. His premises are that we discover what is ethically right by consulting our intuitions and that our intuition about justice is that *justice is fairness.* This explains the strong egalitarian bent in his theory. Given other premises, however, other systems could in fact emerge. If rational individuals' intuition about justice differs from that ascribed to them by Rawls, it would be possible for a despotic or even a libertarian system of justice to be embraced by participants in the original position. On the other hand, we can question his premise about the source of what is ethically right. If we can defend rational egoism—not as intuitive but as a sound ethical system (something Rawls never tries on either count)—then again it is possible that a rational individual would choose a libertarian system of justice. The point is that it is entirely possible to accept Rawls's contrivance of the "original position" and yet to reject his theory of justice. Its derivation depends on other—suspect—moves. But since he has begged the question at the level of ethical theory, he is able to argue, to his own satisfaction at least, that the rational actors would choose his two principles of justice.

Now most of us would not object to the first principle—that each person is to have an equal right to the most extensive basic liberty compatible with similar liberty for others. The problem arises with the second principle, which requires that inequalities be arranged to benefit all. Rawls hoped to resolve the conflict by means of the priority principle, which establishes the precedence of the first principle over the second when the two clash. But he devotes much of his book to a justification of the second principle of justice and the difference principle, both of which appear to conflict *every time* with the first principle. Nor is this very surprising, given the way in which "rights" and "liberties" figure in his theory.

Rawls adheres to the European concept of "liberties" whereby the emphasis is on freedom *from* (want), rather than freedom *to* (act). This is apparent in his discussion of "primary social goods." Libertarians normally hold that "Right" and "Liberty" belong to individuals by virtue of their nature as human beings. Wealth and income, on the other hand, are the result of the *exercise* of one's right (to property or production) and are not "rights" themselves.

The great danger with *A Theory of Justice* is that, in the hands of others, it could nurture a society even Rawls does not foresee.

It is difficult to catch Rawls on this, for he explicitly rejects the dichotomy between positive and negative liberty.

> The inability to take advantage of one's rights and opportunities as a result of poverty and ignorance, and a lack of means generally, is sometimes counted among the constraints definitive of liberty. I shall not, however, say this, but rather I shall think of these things as affecting the worth of liberty . . . . the worth of liberty to persons and groups is proportional to their capacity to advance their ends within the framework the system defines.

This sounds quite acceptable except that it is clear that Rawls, in many instances, *does* include the worth of liberty as a constraint. Advocates of "positive liberty" (Rawls's "worth of liberty") say essentially that there can be *no* liberties that all cannot take advantage of to an equal degree. Rawls would have institutions and society "maximize the worth to the least advantaged of the complete scheme of equal liberty shared by all." From maximizing the worth of liberty to the least advantaged, it is only a short step to equal positive liberty for all. Everyone has the right to free speech, but that liberty is more valuable to those who own newspapers. Suppose it cannot be demonstrated that the ownership of newspapers by some is to the advantage of the least advantaged? (Not such a wild supposition—how *would* you demonstrate it?) Then Rawls is faced with providing everyone with his own newspaper or prohibiting ownership of newspapers altogether. History clearly indicates which alternative is more likely.

Consider Rawls's definition of a right: a set of principles that is publicly recognized as the "final court of appeals for ordering the conflicting claims of moral persons." Again, we cannot object to this formulation—as far as it goes. Problems enter with the *positive* aspects that provide the content—for Rawls maintains that rights are the property of the State to be distributed by society.

Rawls's conception of liberties and rights gets him into an interesting conflict. While he holds that (the possession of) wealth and income are "rights" and that the "distribution" of these is a proper consideration of a theory of justice, this same theory of justice does not recognize *production* of one's own wealth as a right. Distribution is totally severed from production. By the principle of priority, liberty can be restricted only for the sake of liberty itself. But it is clear that this limitation does not apply to "economic liberty." R. H. Coase parodies this same dichotomy in his essay "The Market for Goods and the Market for Ideas." While modern liberal political theorists, of which Rawls is a representative, hold that "freedom of speech" or "freedom of conscience" are sacred and can be restricted only when they threaten to destroy themselves, this does *not* apply to the realm of economic activity.

A general weakness in Rawls's approach is that it is *holistic.* This can be gleaned from his discussion of rights and liberties but is most discernible in his formulation of the difference prin-

ciple. His concern is with groups, or "society" in general, not individuals. So he embraces a tribal concept of wealth—wealth belongs to society and is to be distributed by society. The only reason some individuals gain wealth is that they have the cooperation of others. Therefore, it is impossible to say that what a man produces is strictly his own.

Rawls takes this tribal concept even farther: *natural attributes* are also the property of society, and extra advantages derived from above-average attributes must be distributed so that those with less natural attributes are benefited.

> . . . the difference principle represents, in effect, an agreement to regard the distribution of natural talents as a *common asset* and to share in the benefits of this distribution whatever it turns out to be. Those who have been favored by nature, whoever they are, may gain from their good fortune *only on terms* that improve the situation of those who have lost out. The naturally advantaged are not to gain merely because they are more gifted, but only to cover the cost of training and education and for using their endowments in ways that help the less fortunate as well. No one *deserves* his greater natural capacity nor *merits* a more favorable standing in society. But it does not follow that one should eliminate these distinctions. There is another way to deal with them. The basic structure can be arranged so that these contingencies work for the good of the least fortunate. [Emphasis added.]

"To have a complaint against the conduct and belief of others," says Rawls, "we must show that their actions injure us, or that the institutions that authorize what they do treat us unjustly." By the previous passage, what else could this mean but that "injury" must be construed in a way totally different from that in older conceptions of justice? The idea is truly revolutionary in its implications. Under older conceptions of justice it is necessary to prove that what another has acquired has been at the expense of the plaintiff; only then can the former be adjudged to have injured the latter. Redress is to be based on a principle Aristotle called rectificatory justice. When a thief commits a robbery he has become better off at the expense of his victim. Right can be determined; injustice can be rectified. By Rawls's reckoning, however, a person who never employed force or fraud against another—indeed, who achieved certain ends only through his own efforts—*can now be considered unjust.* All that is necessary is that a plaintiff be less well off and that the achievements of this other man have failed to benefit the plaintiff.

The absurdity of Rawls's position becomes more and more apparent. He seems to limit natural attributes to intellectual capacity and talent, but why should we stop there? Why not apply the difference principle to good looks and sexual attractiveness? Should not the ugly and moderately attractive benefit from the attractiveness of the best looking? Are not looks and physical attractiveness as much natural attributes as intelligence or talent?

One final point about the difference principle. In order for a system to be just, according to Rawls, *all* must gain, including the least well off. But how are facts concerning the well-being of different social classes to be evaluated? Who is to do the counting up? What standard is to be used? A different interpretation of the facts, and different policies would result. It is impossible to overemphasize the importance of ideology. Consider whether "capitalism" impoverished the masses during its early stages. It is almost universally accepted that the "industrial revolution" reduced the laborers of England from a relatively comfortable pastoral existence to grinding poverty. Recent scholarship has established beyond any objective doubt, however, that this picture is false in every respect. Capitalism *created* the proletariat from those who would have starved in abject poverty under the feudal system; it did not *reduce* the level of an entire class. Yet, bound up in an ideology, people almost universally ignore the scholarship that has refuted the familiar stereotype. Robert Paul Wolff is a prime example. He writes in *The Poverty of Liberalism* that defenders of capitalism will lose in any battles with liberalism because the *facts* militate against the former! Of course—and unfortunately—he *is* right in one respect: prevailing *ideology* is weighted against those who defend capitalism.

The problem arises with Rawls's second principle, which requires that inequalities be arranged to benefit all.

There is yet another question, posed by Ayn Rand and probably unanswerable by Rawls. Who *are* the least well off in a society? "All persons with less than half of the median income and wealth may be taken as the least advantaged segment—so says Rawls. But why judge by income and wealth? Is it not conceivable that the person with the greatest number of "natural attributes" is the least advantaged member of an egalitarian society? For he is not allowed to fulfill his expectations except at the pleasure of the egalitarian masses. One need only recall Kurt Vonnegut's short story *Harrison Bergeron* to see that Rawls's assumptions are somewhat arbitrary.

A Theory of Justice is in many ways a magnificent achievement. Rawls has attempted to return political philosophy to the great tradition of Plato and Aristotle. Aristotle remarks in the *Politics* that men possess a sense of justice and that the common understanding of justice is what allows men to form a *polis.* Rawls has tried to establish principles of justice that are commonly understood and accepted in Aristotle's sense. But in the end—as Robert Nozick, Ayn Rand, John Hospers, and others have demonstrated—his theory of justice will not work because it calls for violating the *rights* of individuals.

Brian Barry writes in *The Liberal Theory of Justice* that a brief discussion of Rawls's book is of little more value than a brief treatment of Hobbes's *Leviathan.* What I have tried to do is touch upon Rawls's main points and discuss their weaknesses. It is pretentious to assume that Rawls can be "refuted" in a short essay. My hope is that libertarians will read him, because we may be living with the consequences of his theory of justice for some time. Egalitarianism is an important part of the Zeitgeist, and Rawls emerges as its most important philosophical defender. ☐

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FOREIGN CORRESPONDENT

MONEY, MORALS, AND MONARCHY

Amsterdam. The Soviet Monarchy Holland is well on its way. The government has doubled its expenses during the last three years. And the Minister of Finance reports huge increases in its tax income. Surprisingly so, because government also moans that approximately one-third of the money held by its citizens is non-registered (black) money. Indeed, corruption of money, morals, and monarchy is rampant in Holland.

Children are disappearing at an alarming rate in the monarchy. Parents lodge an average of 50,000 complaints a year with the police that one of their minors left the house, without leaving a trace. Most of these children stay with thieves, drug traders or their accomplices, but the police and the courts are both unable and unwilling to offer any protection to these youngsters, other than shielding them against their parents.

In May parliamentary elections will be held. The polls indicate that the votes will be cast as follows: 25 percent socialist, 25 percent christian socialist (CDA), 25 percent business socialist (VVD) and the balance undecided. Several small protest parties traditionally collect up to 10 percent of the votes, but their utter lack of sophistication usually turns their protests into a permanent tragi-comedy.

A New Organisation

One hopeful sign was the recent formation by small businessmen of the Federation of Free Entrepreneurs. They are fed up with the big Federation of Dutch Manufacturers which first pushed them into the trap of nationwide collective bargaining agreements, then into minimum wage laws, and finally into financing the trade unions. Only once have the trade unions suffered a setback. It happened in 1966 when the unions' grab for power was successfully opposed by the spontaneous action of the workers themselves. The scene was the building industry in Amsterdam. The trade union had just offered to the business community to distribute to all workers—union members or not—the so-called holiday premium: a handout which all employers decided to grant to all employees in their trade. The builders accepted this seemingly generous offer of the unions with pleasure. But to everyone's surprise the union withheld from this vacation money 10 guilders ($3.00) from every worker.

The indignation of the workers rose to such a high point that a complete rebellion broke out in the streets of Amsterdam. Windows were smashed, cars overturned and a crisis of authority set in motion which ended only after the government fired the burgomaster from his job as head of the police. Even today, the employees in the building industry are still proud that they squashed this aggressive move to levy dues from every single worker in their trade. But they are an exception because the plans of the unions succeeded in almost all other sectors of trade and industry—mostly in collusion with the employers federations. As a result, some $200 million worth of dues are now disappearing annually without a trace into various trade union activities.

In one of those sectors however, the automotive trade, the union victory was particularly hard fought thanks to the alertness of a small businessman named Henk Hoegen Dijkhof. In 1969 he started visiting the meetings of his employers federation just in time to see how his rights were gradually being sold to the unions. First a series of meetings with carefully doctored minutes. Then the forming of a foundation by four individual employers and four trade union bosses. Then a law reinforcing a private collective bargaining agreement. Henk Hoegen Dijkhof was unable to stop all this but he implored his colleagues to refuse to pay. Two thousand employers responded to his call and 300 lawsuits followed, culminating in March 1976 in a Supreme Court decision in favor of the trade unions.

Undaunted, Hoegen Dijkhof formed his new Federation of Free Entrepreneurs. They drafted a statement of principles and aims with which a Mises, Hayek or even a Rothbard would find no fault. He furthermore lodged a complaint against the Dutch Supreme Court with the International Court for the Protection of the Rights of Man in Strassbourg. Presently he is touring the country (business permitting) to muster support for his fledgling free market organization. With five collegues he also started new litigation in order to require that the trade unions open their books to show how they are spending "his" money.

The above example is still rather unique but more and more lone crusaders for freedom are attracting attention. Free dentists, free doctors, free teachers, free newspapermen are getting together in the little corners of the country and setting up their organisations. The Dutch Libertarian Center just acquired the *Incredible Bread Machine* movie with hopes of using it to stimulate the many dispersed opposition groups into a coherent fight for freedom. But after the first two showings we discovered that the viewers simply concluded that things aren't as bad in Holland as they seem to be in the U.S.A. What an illusion!

Free Market Organizations Unite

Fourteen countries were represented at a two-day seminar on free market activism in Zurich last October. The topics of discussion ranged from questions such as "who are our adversaries" and "how to propagate freedom" to the political and economic situation in each of the countries represented.

The reports on the economic situation showed a remarkable similarity. Excessive growth of government expenses everywhere and very little or no growth of private economic activity. Large-scale unemployment, inflation, and loss of moral values. Even Switzerland, which has no inflation and very little unemployment, is having its problems. Despite the highest average living standard in Europe, the younger generation is antagonistic toward the morality of achievement and is asking for socialist interventionism. Although Switzerland has a remarkable degree of sophistication in its political structure, with four referendums a year to veto its power-hungry parliament, this last capitalistic country of Europe is also losing grip of its moral and economic foundations.

The organizations present at the Zurich Conference showed a tremendous variety. The Italian and Austrian organizations, for instance, concentrate their activities on the publication of books on the free market. The Finnish participants represent a group of 58,000 businessmen who actively lobby with their government against interventionism. The Norwegian Libertas organisation issues a weekly illustrated magazine which sells well on public newsstands throughout the country. The English "Aims for Freedom and Enterprise" made a plea for an universal (no—not international) Free Enterprise Day like the one held in England on the first of July 1975 and 1976.

Michael van Notten

VIEWPOINT

DEFICIT SHARING

A fairly simple solution to many of the problems of older industrial cities would be to eliminate all Federal revenue sharing and grants-in-aid to state and local governments. That would chop about $72 billion of ugly fat out of the Federal budget, permitting an equivalent reduction in Federal taxes.

Any form of revenue sharing is, of course an outrageous fraud. The Federal government has no source of revenue that doesn't ultimately come out of the hides of people who live within cities and states. Federal taxes leave people poorer; Federal borrowing competes with other borrowing and requires higher taxes in the future to service the added debts; increasing the money supply just imposes a tax on money by diluting its value.

There is no such thing as free money. Yet state and local officials still scramble for Federal dollars without bothering to ask where the money comes from. It is logically impossible for all communities to benefit from Federal aid, since some places must obviously be paying more in Federal taxes than they get back in Federal largess. But the flow of money to Washington and back again (minus brokerage fees) is sufficiently confusing to foster the popular illusion the Federal aid is spontaneously generated, like manna from heaven.

Several studies have tried to follow this shell game. The Tax Foundation, Brookings Institution and *National Journal* use different methods to arrive at broadly similar conclusions—namely, that most Northeastern and Midwestern states are substantial net losers. States like New Jersey and Illinois (but *not* New York) apparently pay something close to two dollars in Federal taxes for every dollar they get back in Federal "aid". The point is explicitly acknowledged in the growing controversy over Federal aid to the Sunbelt. Yet the conclusion is never the obvious one of scrapping the whole idea of regional redistribution. Instead, the call is for even more Federal grants, with more wrangling over who gets which end of the stick.

Short of civil war, it won't work. The political forces that gave rise to the existing allocation of Federal burdens and benefits will not simply be wished away. There can't really be any objective criteria for allocating Federal funds and the related taxes, so the actual distribution is instead determined by political clout. States with Congressmen in key positions on the appropriate committees, for example, are sure to jiggle the complex formulas in a way that helps their home states.

A *Wall Street Journal* editorial (December 27) challenged the "economic foolishness" of the idea that Federal monies are flowing from the Snowbelt to the Sunbelt. Taxes on workers in Detroit may indeed flow to retired bureaucrats in Miami, said the *Journal,* but the pensioners will then "make a payment on a Chevrolet, made in Detroit, and a payment on their mobile home, made in Pine Grove , Pa." The curious implication that it makes no difference who gets the rewards from productive activity clashes violently with other *Journal* editorials, which have stressed the disincentives inherent in our system of taxing work and investment in order to subsidize leisure and consumption. It is hardly a matter of indifference if pensioners in Miami are buying cars and mobile homes with taxes extracted from the labor and capital involved in producing those cars and mobile homes.

Many regional economies have become strangled in the tangled web of strings tied to Federal aid. Matching grants are particularly perverse. The feds offer money for this or that foolish program, on the condition that state and local governments cough up part of the cost. State and local officials buy votes with programs that would never have been undertaken if the link between spending and taxes had not been disguised by Federal grants. The resulting combination of Federal, state and local taxes to finance such programs soon drives productive individuals and enterprises into other regions, or into varying degree of retirement (e.g., the civil service).

The formula for general revenue sharing is equally weird. Communities actually get extra money for having a high "fiscal effort"—i.e. for taxing the stuffing out of their citizens. Naturally, the most productive individuals in any community do not just stand there like lambs to be shorn. They leave—taking their capital and skills with them. Voting with the feet is a rare and valuable element of wholesome competition in the provision of government-monopolized services. Yet revenue sharing is rigged to draw Federal tax dollars out of places where local taxes bear some remote relationship to the quality of government services, and send the proceeds to places where local taxes just seem to disappear.

Finally, there is the Carter Plan for giving a much larger share of Federal aid to those states and cities that are most successful in maintaining high unemployment rates. People in areas of high unemployment are said to have a "right" to public employment, which can only mean that other taxpayers have an obligation to pay their salaries.

Now, there is no question that state and local governments can and do promote poverty and unemployment through such devices as punitive taxation, building codes, rent control, environmental policies, minimum wage laws, lavish welfare and unemployment benefits, and so on. The question is why anyone would want to subsidize such idiotic policies at the expense of states and localities which are relatively sane. More aid to areas with chronic high unemployment, as President Carter has proposed, necessarily requires higher taxes on those areas which have provided favorable incentives for workers to work, for employers to employ, and for investors to invest. Taxing success and subsidizing failure is hardly the best way to reduce unemployment.

ALAN REYNOLDS

The message is not apt to be missed by mayors and governors, who can be expected to compete for the Federal "free money" by perpetuating or extending destructive policies. ◻

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WASHINGTON WATCH

95th CONGRESS–MORE OF THE SAME

The more one talks with legislators and their aides, the more one is struck by the fact that many of the issues before Congress this year will be reruns of the issues which have divided liberals and conservatives for the past several sessions. The evidence of fresh thinking or new departures is minimal at best.

Congress has been wrangling about common situs picketing, postcard registration, revising the Hatch Act, surface mining regulation, food stamps, price controls and raising the minimum wage for the last several years. Once again, these issues dominate speculation about what Congress will be considering in the first few months of this year.

Most of these issues represent extensions of Federal power which have been voted by Democratic majorities in Congress and vetoed by a Republican president. With a Democrat in the White House, Hill Democrats apparently feel they can get these new Federal programs enacted without fear of veto. But, aside from whatever initiatives Carter may pursue in his first 100 days (probably not very dramatic) the issues with which Congress will amuse itself are likely to have a familiar ring for a while.

OSHA IN PERIL?

One of the most encouraging recent developments was a decision in December by an Idaho District Court to declare that Occupational Health and Safety Administration (OSHA) inspections are unconstitutional under Fourth Amendment protections against unlawful search and seizure. The Court was hardnosed about it. It won't even let OSHA inspect *with* a warrant, since the legislation authorizing OSHA didn't mention warrants.

Several subsequent legislative developments have ensued. Both Congressmen from Idaho, Steve Symms and George Hansen, are Republicans who at least recognize the word "libertarian" and are sometimes sympathetic. They have introduced legislation to abolish OSHA. In addition Hansen has introduced a drastic reform measure (which has some chance of passage) and a resolution (H. Con. Res. 48) to forbid OSHA inspections nationwide until the court case begun in Idaho is resolved. After all, if OSHA can't inspect in Idaho, under court order, inspection anywhere else would violate equal protection.

You can get information about anti-OSHA legislation from either Symms or Hansen (Washington, DC 20515) or from Gary Jarmin at the American Conservative Union (422 First St., S.E., Washington DC 20003). Write your Congressman too, please.

The Idaho case will be appealed to the Supreme Court, of course. Who knows, it might even get a favorable hearing there.

DEREGULATION BEST LIBERTARIAN ISSUE?

Perhaps the most promising avenue for libertarian legislative initiatives in the coming year will revolve around the issues of deregulation and debureaucratization of the Federal government. Carter has a rhetorical commitment to some kind of "rationalization" of the government, but whether this means anything close to deregulation remains to be seen.

Support is still in place for such proposals as "sunset" legislation which would require Federal bureaus to be phased out unless a thorough periodic review justified their continued existence. Carter is a proponent of "zero-base budgeting" which would require agencies to justify their entire budget instead of assuming that only additions to last year's budget need defense. Ted Kennedy is still for drastic reform of airline regulation.

All these proposals contain pitfalls for libertarians. Carter may have used zero-base budgeting in Georgia, but the budget continued to expand. Careful, informed and persistent pressure will be needed to make any review process under "sunset" legislation really meaningful. These reforms could well serve as a cosmetic move to reduce the pressure on agencies under criticism. We must be careful not to get trapped into endorsing "reforms" which will do little good. But there is sympathy for these kinds of reforms, and we can use this opinion climate to introduce libertarian ideas and to "radicalize" existing reform proposals.

DRAFT AGAIN?

Perhaps it's jumping the gun, but I keep hearing murmers about attempts to eliminate the "volunteer" army and reinstitute the draft, perhaps under some sort of full-fascist system whereby young men and women could choose to serve for two years with a domestic bureaucracy. Government agencies keep making studies which purport to show that the volunteer Army is more expensive than had been anticipated, and maybe the idea isn't working out so well.

We need to keep pointing out two fallacies in such arguments. First, it's just that taxpayers bear the full cost of paying personnel in the armed services rather than having cut-rate slave labor, a system which steals two productive years from a young person's life. Second, we must point out that a large portion of the personnel costs in the military are due to pension obligations. This system needs a good, hard look. There is no reason that the taxpayers should pay a full salary for life to individuals who retire from the military at age 40. Government pensions across the board are outrageously expensive. We need to focus attention on the exorbitant cost of government pensions rather than allowing people to use this cost as a vehicle for attacking the concept of a volunteer military.

DISSENTING

The American Enterprise Institute has recently reprinted an excellent pamphlet, "Dissenting From Liberal Orthodoxy," by black economist Thomas Sowell. Copies available for 35 cents from AEI (1150–17th St., N.W., Washington, DC 20036).

Alan W. Bock

LUCIFER'S LEXICON
by L. A. Rollins

hostile, adj. Pertaining to or characteristic of a host.

infallibility, n. The error of believing oneself incapable of error.

junior college, n. In California, an institution of hire education, where one can major in aviation welding, inhalation therapy or turf grass management.

MOVIES

• In his third "Dirty Harry" movie, **THE ENFORCER,** Clint Eastwood once again demonstrates his ability to fashion a contemporary moral drama from those aspects of "social reality" which present-day liberals tend to ignore or dismiss as unimportant. Recreating his role as San Francisco detective Harry Callahan, Eastwood is harassed by political and bureaucratic ineptitude as he attempts to track down a gang of self-styled revolutionaries, who are threatening the city with an arsenal of military-type weaponry. Although Eastwood has been accused of portraying a "Fascist cop," there is little evidence of it here; his only questionable activity involves roughing up the operators of a massage parlor which would qualify as a consumer fraud under almost any libertarian standard. To his credit, Eastwood (who has virtually complete creative control of all his movies) does not resort to persecuting people involved in victimless crimes (unlike most television cop shows, and real-life police departments). Instead, he concentrates his fire on those who use violence against innocent victims, and on the politicians who attempt to render the police ineffective in order to improve their "image." The movie contains a generous amount of violence, but there is no attempt to make it glamorous. Tyne Daly provides excellent support as the new partner foisted upon an unwilling Eastwood, as does Harry Guardino, who plays Eastwood's long-suffering boss. The screenplay by Stirling Silliphant and Dean Riesner provides occasional and much-needed touches of humor, while James Fargo's direction is crisp and forceful. Rated "R." **—Charles F. Barr**

• Perhaps no movie could be expected to live up to the hype surrounding Dino De Laurentiis' massive $24 million remake of **KING KONG,** billed as "the most exciting, original motion picture event of our time." Exciting it is, intermittently; original it clearly is not. In every department except technical virtuosity, the 1976 edition is clearly inferior to the 1933 original. The script is the biggest disappointment. Although Lorenzo Semple's screenplay credibly updates the story to the present (this time the expedition is searching for oil, not a prehistoric beast), much of the dialogue seems lifted from all the "B" movies ever made. Jessica Lange, in the Fay Wray role, suffers especially in this regard. The script forces her to portray stupidity instead of innocence; her encounters with Kong sound like the television parodies made famous by Cher. Jeff Bridges, as a socially-conscious anthropologist, is somewhat more believable, though his love affair with would-be starlet Jessica Lange isn't. Kong himself, thanks to 43 years of technological progress, is easier to identify with; the emotional range of the beast has been considerably expanded. Kong's rampage through New York, culminating in a mad flight to the top of the World Trade Center, provides as much spectacle as any audience could expect. It's a shame that it took $24 million to prove that spectacle is no substitute for soul. Rated "PG." **—C.F.B.**

Clint Eastwood chases a gunman over San Francisco rooftops in THE ENFORCER.

• Writer and star Sylvester Stallone has succeeded in concocting a romantic drama from some very unlikely ingredients. **ROCKY** has the look and feel of the gritty, grimy "realistic" pictures which abound today in depressing numbers. The story, about a small-time boxer getting an unexpected shot at the world heavyweight championship, would appear to be the stuff of parody. But in both writing and acting, Stallone plays the story straight, never once cheating his audience (which, at the screening I attended, repeatedly broke into cheers). The supporting players seem vividly true-to-life, especially Talia Shire as Stallone's shy girl friend, and Burgess Meredith as manager of a run-down boxing arena. The climactic fight between Stallone and his Ali-like opponent (Carl Weathers) is so realistic it's almost impossible to tell it was staged. The movie's tone tends toward the natural and understated, so that the audience seems to be watching people going about their business rather than actors acting. *Rocky* is a unique blend of romanticism and realism, the first (but hopefully not last) of its type. Rated "PG." **—C.F.B.**

SPOTLIGHT

While most governments of the world drift towards collectivism, a curious trend is at work in the opposite direction. Some governments—driven by economic necessity or far-sighted leaders—are establishing centers for relatively free trade.

Perhaps the most avid observer of this trend is Professor Alvin Rabushka, a senior fellow of the Hoover Institution on War, Revolution and Peace at Stanford University. The move toward freeports in Korea, Indonesia, Mauritius, Liberia, and a number of Mid-Eastern states does not surprise him. "Freeports work to the benefit of ordinary people as well as entrepreneurs," he says. "When even the Egyptians are thinking of turning Alexandria into a freeport, you know that something's going on."

Although only 36 years old, Rabushka has published several books describing the benefits of freeports and other areas that allow freedom from tariffs, regulations, and taxation. His startling thesis: not only do people prosper in such places, but racial conflicts subside as freedom takes hold.

The evidence to bolster his case is impressive. In the past 10 years, Rabushka has travelled to more thar 25 countries to investigate freeports and plural societies. "To the extent that multiracial societies have a maximum of economic freedom for individuals, they tend to have racial harmony," Rabushka says. "The greater the amount of political controls, the greater the conflict between groups, especially with democracy . . . You end up with Northern Irelands and Lebanons."

At the other end of the spectrum from strife-torn socialist societies are such freeports as Hong Kong and Singapore, where Chinese and Europeans mingle economically in a relaxed fashion. Rabushka has devoted particular attention to Hong Kong. "My research in Hong Kong shows that there is a real live industrial free society on earth, and it behaves the way economic theory says it should," Rabushka explains.

The St. Louis-born political scientist is not one to draw his conclusions from a distance. He first travelled to Hong Kong in 1963, marrying there and learning Chinese. After becoming an associate professor at the University of Rochester, Rabushka returned to the British colony in 1972 and again in the fall of 1973. He was amazed to find himself virtually the first scholar to thoroughly research the economic policymakers and their activities. "Both the expatriate and resident academic community of the colony promote a wide belief that the Hong Kong government discourages scholarly investigation into its activities," Rabushka noted in his subsequent book, *Value for Money* (Hoover Institution, 1976, $9.95). He paid no heed to the assumption that his subjects would be impossible to interview—and was rewarded with a rich lode of insights from administrators as to why Hong Kong has become such a success.

The prosperity of Hong Kong,

ALVIN RABUSHKA

Rabushka found, owes much to its avoidance of easy money, deficit financing, and controls over business and currencies. Administrators of the colony have been imbued with a sense of fiscal accountability that dates from the mid 1800s. The precarious position of Hong Kong at the doorstep of a communist superpower, moreover, has meant that it must go out of its way to attract capital. The result of a low and steady rate of taxation, and a hands-off policy toward entrepreneurs, has been astonishing growth.

As might be expected, Rabushka's explanation for the prosperity and tranquillity of Hong Kong has drawn scowls from some quarters. One American reviewer has dismissed him as a tool of business interests, while expatriate British socialists in Hong Kong have sniffed at the book's critique of Keynesian policies. Yet his analysis has also won strong praise, from both American academic journals and foreign observers. "There has been a very favorable reaction to the book from Hong Kong," he says. "The leading English language newspaper ran a front page feature story on it, and people in government are quite surprised that someone has explained things more objectively than before."

Rabushka once deplored the laissez-faire policies of which he is now an ardent and articulate advocate. As an undergraduate at Washington University at St. Louis, his views were markedly leftist. Postgraduate studies at Washington University, the University of Hawaii, and the University of Hong Kong moderated his radical tendencies somewhat, but Rabushka still considered himself to be left of center when he arrived as an assistant professor at the University of Rochester in 1968.

Two events in that year profoundly changed his outlook. The first was meeting a libertarian law professor, Henry Manne, whose office was next door at the university. The second was a long car ride on May 4 of that year, in which a colleague convinced him to invest in the stock market. Rabushka did—and lost heavily. "Losing money made me appreciate economic freedom," he says.

In the years that have followed, Rabushka has moved with equal enthusiasm to apply free-market analysis to foreign and domestic affairs. As a consultant to the Model Cities program in Rochester from 1971 to 1973, he and a colleague conducted surveys which showed, contrary to the hopes of bureaucrats, that elderly citizens did not want to help make policy for the program. Instead, these citizens wanted more protection from criminals. A later survey for the housing authority of Wilmington, Delaware led to the same conclusion. "Black mothers on welfare didn't want a large number of white middle class social workers running their lives." Rabushka says. As a result of the findings, the manager of the program fired 31 social workers, and hired patrolmen to take their place.

Today, Rabushka has a number of promising projects underway. He has helped oversee extensive interviews of elderly homeowners for the Department of Housing and Urban Development, to assess how they view their dwellings. The tentative finding: in almost four out of five cases, dwellers do not perceive the independently-rated "defects" in their housing to be important. In view of the apparent contentment of the occupants, Rabushka questions those who insist

(continued on page 46)

BOOKS

"STAR TREK" LIVES! By Jacqueline Lichtenberg, Sondra Marshak, and Joan Winston. New York: Bantam. 1975. 274 pp. $1.95 (pb).

Reviewed by Marilyn Harper

Much ado has been made about "Star Trek," and this book falls right into line. This is not to say that either the show or the book is without value. The series is undoubtedly the best science fiction ever presented on television (a small field indeed), and the book should provide entertaining reading for anyone with even a moderate interest in the show. But those who have never seen "Star Trek," dislike it, or are indifferent to it might as well leave this volume to hard-core Trekdom.

For one thing, less-than-enthusiasts will find the book somewhat flawed by the inclusion of Joan Winston's first-hand accounts of the first New York ST convention (1972) and a week spent on the "Star Trek" set at Paramount. She has a propensity for gushiness perhaps exceeded only by the Gabor sisters or a Heinlein heroine. The worst offense, however, occurred in connection with Winston's interview of William Shatner. As she probed into his portrayal of Kirk, Shatner smiled at her. The event is described by the other authors: "Since William Shatner's smile is the same as Captain Kirk's, it has the same devastating effect on twentieth-century women as it does on the legions of twenty-third-century females throughout the galaxy. Until the effect wears off, it knocks everything out of their heads, including the questions they were asking." This nonsense is particularly repugnant in view of the earlier presentation of Helen Jean Burn's thoughtful criticism of the female characters of "Star Trek" for being "so badly hung up on some man that they were often incapable of functioning intelligently."

It is interesting that many claims made in this book about ST and its fans were deflated during an NBC "Tomorrow" program. Three cast members, an ST convention chairman, and sf writer Harlan Ellison were guests. The Woodstock-nation camaraderie claimed for the conventions ("Love, that is what the Con was all about.") must be a thing of the past. When asked by "Tomorrow" host Tom Snyder if they were getting tired of going to fan conventions, DeForest Kelley and Walter Koenig (Chekov) replied in the affirmative.

"Star Trek" Lives! abounds with case histories of people supposedly suffering from various forms of quiet desperation, until ST revitalizes their lives, expands their horizons, gives them the courage to go on, and clears their sinuses. In regard to these kinds of claims for the show, Koenig told Snyder: "I wouldn't like to think that I was proselytized by a television series. I would hope that I have enough intellectual resource to have already formulated those kinds of philosophies for myself."

Much is made of the philosophic content of the series. In fact, one opens *"Star Trek" Lives!* with great expectations, having heard that one of its authors is an Objectivist. And it is immediately obvious which one, since on the dedication page Marshak refers to her husband as "my proof that men like that do exist."

Most of the "Objectivism" in this book is just as recognizable, almost second-hand in flavor—which would be acceptable if it in fact applied a little better to the subject. At one point, the authors suggest that television "could provide that direct perception of our goals, that fuel, as no other medium can—at the flick of a switch, every day. But not much television has done so, providing, at best, a very watered-down form of romantic art in which we pan for a few traces of gold."

At least one of the authors was panning like mad to find a nugget or two of romanticism in "Star Trek." If the ST luminaries interviewed often seem to confirm the romantic aspects of the show, this is primarily because the conversations were so guided and the questions so suggestive as to virtually put the "proper" words into their mouths.

For example, one question put to everyone was: "Do you think that the emphasis of man in the United Federation of Planets world, man as he could and should be, achieving rational values, expanding his horizons, caring for and respecting other lifeforms and their values, is what is proper for mankind, and do you think that this view in our present irrational society is one of the major appeals of Star Trek?"

Small wonder that the authors got answers that were just what they wanted to be able to report. Revealingly, it is mentioned at one point that "in most cases, it took us hours of patient interviewing to dig out the little stories of things which we would call heroic." Only Gene Roddenberry professed to have had any knowledge of Ayn Rand or her theory of romantic art before being interviewed.

This is not to say that there are *no* elements of romanticism, however dilute, in "Star Trek." Nor that there is no emphasis on rationality. Although most of the Star Fleet personnel seem to live by a glorified Boy Scout code, Spock is expressly devoted to rationality.

Marshak does attack Spock's reason-emotion dichotomy fallacy, and does so quite effectively by reproducing part of the original analysis of this

COMING NEXT MONTH

Next month's REASON takes on a number of worthy targets. The Keynesian "permanent war economy" syndrome is explored by historian Bruce Bartlett. With the coming to power of a new administration, Tim Condon takes another look at the case for abolishing that most ancient of regulatory agencies, the Interstate Commerce Commission. And attorney Don Kates presents the empirical evidence that gun control simply does not work. Also in the issue will be Robert Schaeffer on the market for scientific—and pseudoscientific—ideas, and Tibor Machan on the case for philosophy. Plus Murray Rothbard's Viewpoint, a review of *Castaneda's Journey*, and all of REASON's regular columns and features.

error from an ST fanzine. This piece makes it clear that the writer, Myrna Culbreath, also has some acquaintance with Objectivism. Although somewhat under two pages in length, this reprint is one of the best parts of the book. Culbreath expresses herself clearly, cogently, and without aping the style and phraseology of Ayn Rand—as Marshak so often does.

Criticism of Spock's fallacy is one of the few leveled at the show. Other elements that should have been questioned are not. The notion that human beings are "instinctively savage," which played a large role in so many episodes, is not challenged. Tales involving human aggressiveness were often hopelessly bungled by the failure to distinguish morally between initiation and retaliation. And what about all those episodes where inept diplomats and implacable bureaucrats fouled up everything? Are things really that much better in the "Star Trek" universe? ◻

Marilyn Harper received her BA in physical anthropology from the University of Texas. She has worked as a hydrochemical analyst and has studied archeology, and is currently pursuing doctoral studies in psychology.

HOW TO GIVE YOUR CHILD A PRICELESS EDUCATIONAL ADVANTAGE AT HOME, FREE. By Helen K. Billings. Ft. Lauderdale: Billings Foundation. 1976. 66 pp. $3.00 (pb).

Reviewed by Thomas S. Booz

Madame Montessori was once asked by a mother of a ten-month-old boy when she should begin the child's education. "Eleven months ago," she said. We are beginning to realize that babies hear parents before birth, helping to attune their minds to parental lingo.

When the schools promise that they can "give" anybody an education, they are mistaken. Probably 98 percent of education is determined by what the mother, father, and family turned on years before. A baby's intellectual set is reached by age one and a half, when he begins to turn outward from mother. Experts can tell by age three whether or not the child will ever get a reasonably good formal education. He has learned a foreign language (his mother's) by two, and can pick up several others at the same time. Eighty percent of his intellectual attainment is reached by age six, and so on.

It is for these people that Dr. Billings has written. She is Director of Education for the Montessori Institute of America, was recently knighted by the Knights of Malta for her work with children, and spoke to the international association of religions in India on educating for peace, among other things.

The book is a remarkable development in trying to reach parents. Thinkers in the field of child growth have been talking along these lines for years, but the word hasn't been getting out to the rest of us. Dr. O. K. Moore gave his 2½-year-old daughter an electric typewriter, and she was teaching herself to read and write by three. Instead of proposing, however, that children be given electric typewriters (small fingers can't throw the ballistic stroke needed for a manual unit), he devised a $30,000 unit that talks back to the children. Perhaps their learning is more fun, but that puts the development out of normal reach!

The book, at $3.00, is simple, direct, written for the mother more than any other. It tells the family how to make the child physically strong, emotionally secure, intellectually curious, and socially responsive and responsible—using success as a motivator, achievement as the enforcer.

Years back, I lived in Fullerton, California, and in running for school board made some studies that pointed up the doctor's views. There were two public schools, one where the professional and upper-middle-class children went, the other across the tracks, mostly latin, some black and white, but above average for them. The state of California tests for IQ or its equivalent several times in a student's career. In the privileged school, in first grade, before the schools ever got in any licks, the children were a year ahead of the national average, while those in the other school were half a year behind. By sixth grade, after five years of relatively expensive "education," the advantaged kids were only half a year ahead of the national mob, and the others were up to average. The latter had gone ahead five and a half years in five, while the youngsters with all the edge had gone ahead only four and a half years in the same time. Many of us knew that the teachers in the "other" school were dedicated, taught there because they wanted to, and observed that the youngsters went ahead together with a spirit of growth and achievement.

Then arrogant holders of doctors degrees in obfuscation attacked, forcing the school board (I didn't make it, thank heaven!) to bus the minority youngsters to other schools. You can imagine the effect on the smaller group of very young children, whose reading level was a year and a half behind that of the majority of their classmates! It was disastrous for those who were uprooted. They were treated as stupid, even incompetent, when what they needed was a situation in which they could suceed and grow.

Which gets us back to the book. We won't be able to change the public school situation much from where we are, but we can arm hundreds, thousands, and even millions of new parents with the knowledge that their child *can have* equal educational opportunity, but only if the family supplies it from birth. I suggest buying the books in bulk. (3550 Galt Ocean Dr.,Ft. Lauderdale, FL) and working through La Leche Leagues, natural childbirth groups, and service clubs to see that every new mother gets a copy of the book. If millions are used, by the way, the price will drop sharply. Remembering that half the adults who've been slaves of the schools for years are functionally illiterate, see if you can't get Helen Billings to supply tapes to be made available in hospitals so that nonreaders can at least listen and get a glimmering of the tremendous truths of education for their children. At least in your home town, see that everyone is aware of this elemental fact, and begin to undermine the idea that education is imposed or given by subsidized empire builders.

The book itself is completely free from the larger implications I've imposed in this review. It is simple and enchanting in the superb understanding of the immense power of learning in the newest baby. Bucky Fuller says that "every child is born a genius," but it is soon beaten out of him by his family. If you want freedom, you can't get it by cutting down on government empires. You have to remove the victims on whom the empires are built. You have to give every new baby the key to a superb education, in which he can discern the elements of freedom himself. It is a big task to supply so many books to so wide a market. But liberty has to be fought and paid for. This is a lot cheaper than trying to cut out billions in educational funds leaving no alternatives. ◻

Thomas S. Booz is an entrepreneur and libertarian activist, residing in Plantation, Florida.

LETTERS

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human rights, must resort to the discredited private proposals of a notorious racist to make their "case." Even so, the "case" depends on concealing most of the relevant facts: the fact that Koenig's proposals were first exposed and condemned in an Israeli newspaper published by a powerful political party within the Israeli government; or the fact that subsequent to their publication they were denounced by every responsible Israeli official, and by just about every major political group, in and out of the Israeli government.

In Birmingham's story Koenig is identified as "northern regional director of the Israeli Interior Ministry," without mentioning that this grandiose title describes a no-show patronage job for minor political hacks, controlled by the conservative National Religious Party. As for Koenig's suggestions about the means by which population growth in the Galilee might be slowed down—not detailed by Birmingham—these did not go beyond decriminalizing abortion and eliminating pronativist large family subsidies. And then there is Birmingham's snide comment, "What was all that jive about how the Jews made the desert bloom'?" Never mind its connection with a statement implying that *Arab* (*not* Jewish) lands in the Galilee were fertile: logic was never the strong point of any attack on Israel, including this one. The fact is that the more densely Arab areas of Israel/Palestine were always fertile—the reason why they were densely settled prior to the arrival of Jewish settlers, and why their owners did not sell the land after the settlers arrived. It was the arid lands and malarial swamps which were available for settlement—the reason why less than 30 percent of the land worked by Jewish farmers in 1948 had been considered arable before their arrival. The Jewish population in the Galilee is mostly non-agricultural, located in cities and industrial settlements. The places where Jews work in agriculture are elsewhere: in former swamps like Kibutz Mishmar Haemek, a quarter of whose original members died from malaria before the swamp was drained; or on former deserts like Yad Mordechai, where a whole new technology of brackish-water agriculture had to be developed before agri-

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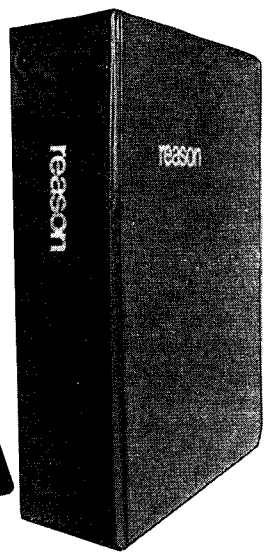

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SPOTLIGHT

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upon spending billions of tax dollars to improve the homes.

His abiding interest, however, remains freeports—why they flourish, and why they perish. In addition to his studies of domestic policy for the Hoover Institution, Rabushka is assembling material for what he hopes will be a definitive study of freeports as they have arisen throughout history.

Despite a growing interest in freeports around the world, Rabushka doubts that Third World countries will heed the larger lessons they offer for economic development. Most leaders are short-sighted, he says, and those of longer vision often succumb to the temptation of squeezing freeports dry once they begin to succeed. Nonetheless, Rabushka has hope for the future. His books clearly offer a way for countries around the world to learn from—and profit by—the progress of freeports in overcoming economic and racial problems. ◻

Readers are invited to nominate persons to be featured in this column. Send details to Spotlight, c/o REASON, Box 40105, Santa Barbara, CA 93103.

publisher's notes

• **HANK CLAY, R.I.P.:** We at REASON would like to make note of the untimely death of one of our first financial supporters in our publication venture, as well as one of Senior Editor Tibor Machan's best and closest friends, Hank (Ernest H.) Clay of Annapolis, Maryland. Machan met Hank in Washington, D.C., in 1961 at an early Nathaniel Branden Institute lecture. Hank, whom editors Poole and Klausner had just recently met in Washington, D.C., was not a verbalist supporter of liberty, but one of those rare persons—a genuine entrepreneur. The son of American missionaries, he was born in China, grew up there and later in California, where he met Jean, his wife, at Whittier College. He was one of the original founders of ARB, a company that later developed into one of Nielsen's strongest competitors, especially in the radio broadcast market testing fields.

It is unfortunate that in our day persons of Hank's caliber in business are not recognized as the outstanding individuals they are. It is left to very good friends to place the names of such quiet, courageous, and honest individuals into some sort of belated limelight. Friends are so rare in one's life, and Hank was a friend to some of us as well as someone who could be admired without any qualification. He died quickly, at the age of 49, at the most successful point of his life, because of heart ailment. We would like this small notice to be an encouragement to all good persons who may not receive the sort of praise given to people who make their words known everywhere. Silent heroes, we are grateful to you. And we are sad when such heroes, especially those who are also friends, are no longer. We can say with confidence that if you had known Hank, you would have wanted at a time like this to say at least these few words, if not a great deal more, about him.

• **LIBERTARIAN PARTY RESULTS:** We noted last month in this column that the Libertarian Party received more votes nationally in the last presidential election than any other third party. Although he finished behind the independent candidacy of Eugene McCarthy (who received over 700,000 votes), LP presidential candidate Roger MacBride's vote total of 183,000 exceeded the votes received by the individual candidates of all other political parties, including Lester Maddox of the AIP.

MacBride received his highest vote count in California (56,000) and his highest showing on a percentage basis was in Alaska (nearly 6% of Alaskans voted for MacBride, and he got close to 10% of the vote in Fairbanks). Although the closeness of the Ford-Carter race deterred many voters from voting for a minor party presidential candidate, the LP candidate for State Senate in Idaho received over 30% of the votes cast. Also significant is the balance-of-power role occupied by the LP in Ohio, where MacBride received more votes than the difference between Carter and Ford.

More detailed LP election returns are included in the November-December 1976 issue of the *LP News*, available from the National Headquarters of the LP, 1516 P Street, N.W., Washington DC 20005 (subscription price, $3 per year).

• **NEW COLUMNIST:** Beginning this month, contributing editor Alan Reynolds becomes a regular "Viewpoint" contributor. His viewpoint will appear every third month, alternating with the viewpoints of Murray Rothbard and Tibor Machan. Reynolds' viewpoint replaces that of David Brudnoy, who continues as a contributing editor. We look forward to publishing more articles by Brudnoy and Reynolds in future issues.

• **BRANDEN ARTICLE:** The important new article by psychologist Nathaniel Branden describing how political ideas can be effectively communicated to others, originally scheduled for this issue, will appear in a future issue. ◻

LETTERS

(continued from page 45)

cultural settlement became possible. The establishment of these settlements remains one of the great heroic achievements of our century, and no amount of Mr. Birmingham's snideness can make it otherwise.

Finally, there is Mr. Birmingham's fatuous comparison of Israeli Arabs to American Indians (Smallpox-infected blankets, etc.). Israeli Arabs are modern, ambitious, well-educated (over half the students at the University of Haifa are Arab), prosperous (with per capita income considerably higher than that of Jews from Arab countries), and to make things more difficult for the occasional Israeli racist like Koenig, they don't look any different from Jews. And Israeli Arab doctors, trained in Israeli medical schools, can diagnose and treat smallpox as well as any in the world.

Adam V. Reed
New York, NY

MR. BIRMINGHAM REPLIES

Peace, Doctor. I only criticized Director Koenig's personal, racist views—any slurs on Israel must be the product of your own uneasy conscience. And it should be uneasy; Koenig was indeed attacked by "every responsible Israeli official" (easy enough: anyone who *defends* racism is irresponsible) but as of this writing he is still in office. Koenig should be run out of his post, just as Earl Butz was for *his* racist opinions (and Koenig made racist *proposals,* to boot), and since he hasn't been, I take a dim view of pro-Israeli puff pieces such as yours. In any event I see nothing for libertarians to admire in a theocratic welfare state, and I hope that when you are feeling better you will agree. **W.F.B.**

Letters from readers are welcome. Each receives editorial consideration, although only a selection can be published and none individually acknowledged. Letters submitted for publication in this column should be typed, double-spaced. They should be kept as brief as possible and are subject to condensation. Send letters to REASON, P.O. Box 40105, Santa Barbara, CA 93103.

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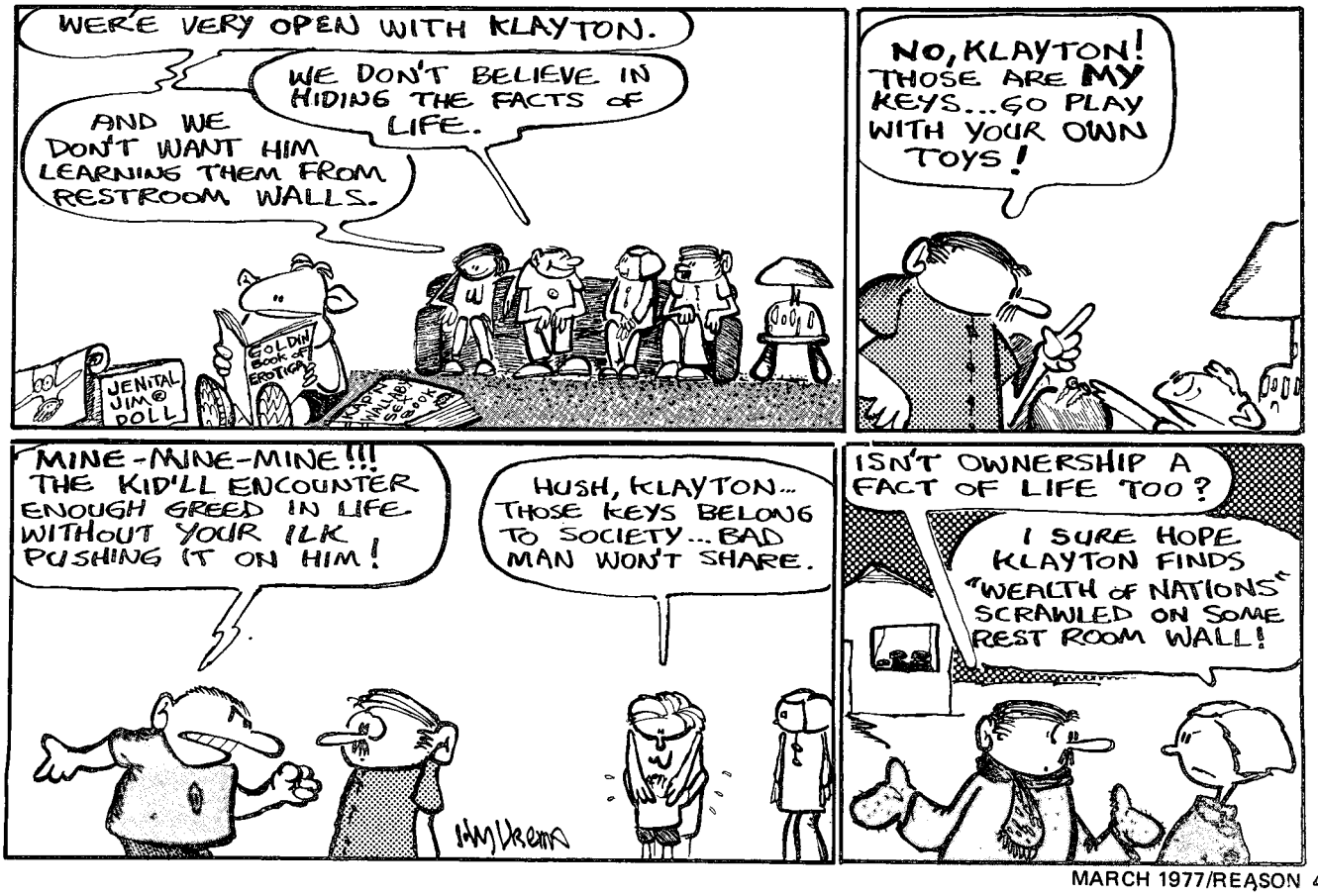
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HUSH, KLAYTON... THOSE KEYS BELONG TO SOCIETY... BAD MAN WON'T SHARE.
ISN'T OWNERSHIP A FACT OF LIFE TOO?
I SURE HOPE KLAYTON FINDS "WEALTH OF NATIONS" SCRAWLED ON SOME REST ROOM WALL!

FRONTLINES

MONETARY RADICALISM

The root of the inflation problem is the loose monetary policies of the governments and central banks of the world. This is hardly news to libertarians, but the number of "practical businessmen" who seem to believe otherwise is astounding. Organizations such as the **Committee for Monetary Research & Education**, Box 1630, Greenwich, CT 06830, are working quietly and effectively to transmit the awareness of the root cause of inflation among those who suffer from it and who might be able to ultimately pressure the governments of the world into a more rational set of policies.

The C.M.R.E. recently sponsored a conference at the University of Colorado, Nov. 11-12, on the subject of "Profits, Capital, and Reliable Money." In his welcoming remarks, Felix E. Wormser commented, "I am intrigued by the suggestion of a prominent banker in socialist Hungary that the socialist nations return to the use of gold and hard money, while the noncommunist world goes in the opposite direction . . . . How startling it would be if the socialist nations or the powerful ones in the Middle East were to present the world with a monetary unit redeemable in gold. They are in a position to do so with profound impact on subduing the world's maddening inflation." Speakers at the conference included Robert Bleiberg, Art Laffer, Henry Hazlitt, Hans Sennholz, John Exter, Patrick Boarman, and many others. This was the 8th semiannual conference sponsored by the Committee. The next conference will be held March 18-20 in New York at Columbia University, Arden House.

The principal focus of the work of the C.M.R.E. is the analysis of inflationary public policy and of the institutional arrangements which would effectively prevent monetary irresponsibility. Henry Hazlitt in 1972 was effective in getting the legalization of gold ownership written into the Republican Platform. Senator Jesse Helms is currently making significant progress in lining up support for legislation to legalize gold clauses in contracts. The C.M.R.E. advocates tying national monetary units to fixed weights of gold, which would cause irresponsible governments to face bankruptcy in the style of New York City (which can't print its own monetary units). It is not clear whether this advocacy goes as far as Prof. Hayek's recent proposal to eliminate the compulsory use of governmental monetary units altogether, but this would be the logical next step in the process of establishing any genuine libertarian international gold standard.

POLICY RESEARCH AND ALTERNATIVES

The crankshaft of the engine of inflation is the Federal Open Market Committee, which is part of the Federal Reserve System and operates out of New York by buying and selling government bonds. When it buys a bond, it injects fresh, new money (Federal Reserve credit) into the banking system. The F.O.M.C., by speeding up or slowing down its purchases of government bonds, exerts the primary influence over the world's supply of U.S. dollars. Lest this powerful agency of economic policy run amok, as it has done in the past—e.g., 1929-1933, 1941-1952, and 1970-1974—a group of academic and business economists has formed the **Shadow Open Market Committee**, which meets every six months and makes proposals for monetary policy. Formed in September 1973 by Profs. Allan H. Meltzer of Carnegie-Mellon University and Karl Brunner of the University of Rochester, the S.O.M.C. closely monitors the activities of the F.O.M.C. The aim of the group is to establish visible alternatives to current policy when they perceive that policy to be in error, and thereby to counterbalance any tendency for policymakers to argue that their decisions are the only reasonable ones. This was what the Federal Reserve System did in 1929-1933 and the secrecy, as well as lousy statistics, contributed to the subsequent Keynesian policy of ignoring the quantity of money altogether and letting the printing press whirl. Other members of the S.O.M.C. include Beryl W. Sprinkel, Anna J. Schwartz, Thoms Mayer, Homer Jones, Wilsom Schmidt, Robert H. Rasche, and A. James Meigs.

Karl Brunner, furthermore, is head of the **Center for Research in Government Policy and Business** at the University of Rochester. The University of Rochester, under the chancellorship of W. Allen Wallis, has attracted a number of young libertarian academics.

The Center has published several books demonstrating the perverse consequences of regulation of markets. One study, published in 1975, "Government Credit Allocation—Where Do We Go From Here," demonstrated that the government's involvement in the home financing business has generally led to higher prices for housing, the opposite of the common belief and the supposed purpose of the mortgage subsidies. The lesson to be learned from this study in credit allocation is that the invisible hand usually wipes out and perverts direct policy intentions. The perennial attempts by government to subsidize everybody at the expense of everybody else leads to a decrease in living standards.

According to Brunner, "The Social Security System has lowered private savings. Consequently, there is less money for capital investment. Thus, we have a capital stock that is 55 percent lower than it would have been without Social Security and a GNP that is 15 percent less." Further, "Companies put their money into accounting and legal departments to cope with regulations, or into public relations efforts to counter them. All of this is nonproductive."

The Center is one of a growing number of academic institutes devoted to the study and empirical refutation of the myth of government goodness. What we may be seeing in this development is a revolution of monumental proportions; as the public sector grows in the society it becomes more and more obviously wasteful and inefficient—even in terms of its own goals. The call last September by Prime Minister Callaghan of Britain for a reduction in government spending—addressing a convention of the socialist Labour Party—is a stunning and welcome sign.

Joe Cobb

This column is concerned with an analysis of activities on the "frontlines" of the battle of political principles, and with news about people who are active in the struggle. We appreciate news and ideas from readers. Please send materials to Joe Cobb, Box 1776, Chicago, IL 60690 for consideration and use in FRONTLINES.

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Gold is going to $400 an ounce just as sure as I'm human says editor Richard Suter. Knowing this, should you now buy gold coins, gold bullion or gold future contracts? In **NATIONAL HARD ASSET REPORTER** editor Suter tells you which and when! This report gives important technical information which will permit you to earn, what we believe to be, maximum profits in 1976. **NATIONAL HARD ASSET REPORTER** advised subscribers as early as October, 1974 that the price of gold would drop spectacularly during 1975. All during 1975 editor Suter advised readers to short gold, making subscribers almost 100% profit a month!

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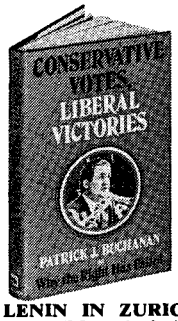

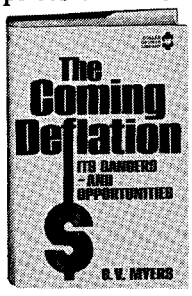

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"The government will continue to debase the dollar until it is worth about a nickel."

—*Dr. Franz Pick*

How will inflation and debasement of the dollar affect you? In an exclusive interview with the *Silver & Gold Report,* Dr. Franz Pick, internationally famous monetary expert, tells you what to expect, why, and how to preserve the value of your money. Here are excerpts from the interview:

What lies ahead for the dollar?

PICK: "The government will continue to debase the dollar until it is worth about a nickel. [Then it] will repudiate its debts by exchanging 10 to 20 old dollars for each new dollar..."

How will this affect the economy?

PICK: "The destiny of the currency is the destiny of the nation... By debasing the currency we have endangered the economic existence of the U.S."

How will the dollar crisis affect investors?

PICK: "[Dollar-denominated assets] will be wiped out ...Many people will be ruined."

About Dr. Pick

Dr. Franz Pick is one of the world's most respected experts on monetary affairs and precious metals. Dr. Pick studied law at the University of Leipzig, monetary theory at the University of Hamburg, and inflation-devaluation theory at the Sorbonne in Paris. His degrees include BS, MA, MBA, LLD, and PHD.

Dr. Pick is the Publisher of *Pick's World Currency Report* and *Pick's Currency Yearbook,* two publications noted for their authoritative and candid assessments of global currency events and trends. Dr. Pick is the author of 6 books on silver and gold, and is a contributor to *Barron's, Playboy, Harper's,* and the *Northern Miner.*

"In the end the only things of value will be gold & silver."—Dr. Franz Pick

Now, in an exclusive interview with the *Silver & Gold Report,* Dr. Pick discusses his concern for the dollar and why its continued debasement will have disastrous effects on the economy. In this interview, he tells you what he expects to happen to the banking system, corporate profits, and the major types of investments. He recommends a select few purchases that he believes will weather the financial storms that lie ahead.

He examines a wide range of forces in the gold market and gives you his estimates for their likely effect on the price of gold. He gives his estimates for the downside risk in buying gold now—and he explains the benefits of owning silver and gold now.

And perhaps even more important, Dr. Pick shows you how to buy silver and gold. He tells you of a serious danger of owning gold coins—and how to avoid it. He points out the critical mistake many investors make in taking out a safe deposit box—and tells you how to avoid that error, too. Dr. Pick gives you candid timing advice. He tells you what country you should store your silver and gold in if you have a small amount, and what country is best for larger amounts. In sum, Dr. Pick is convinced that despite the dollar crisis looming ahead, *you can preserve the value of your money*—and in this interview he shows you how.

Special Introductory Offer

Dr. Franz Pick's interview appeared in the *Silver & Gold Report,* an impartial, independent, twice-monthly newsletter. A copy of this interview is yours as a BONUS with a two-month 4-issue Introductory Subscription for only $10. Simply clip and mail the coupon with your $10 check or money order.

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In-depth interviews with a broad range of experts in silver & gold such as Dr. Franz Pick, T. J. Holt, Ira U. Cobleigh, Henry Hazlitt, Dr. Nicholas Deak and John Exter • Analyses of price movements • Price charts • Relevant economic data • Book reviews • Editorials • In-depth articles about silver & gold.

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